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Howard Husock

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Golden, Messinger, Costikyan, et al.

Privatizing HHC
William Eimicke and Anne Reisinger

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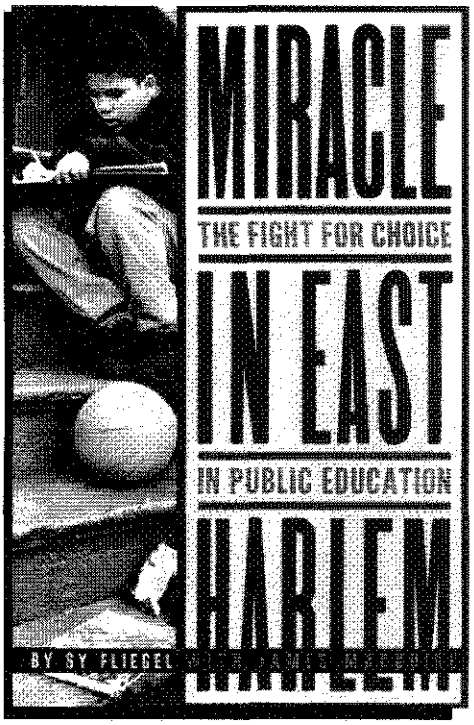
THE FIGHT FOR CHOICE IN PUBLIC EDUCATION



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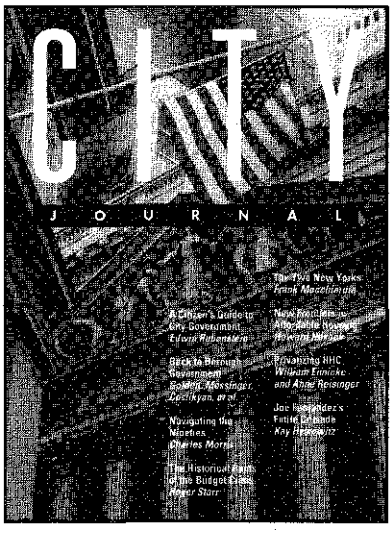
Sophisticated as they are, New Yorkers often know a great deal about the workings of the Federal Government. They can go on and on about what Washington should and shouldn't do. But at the same time they are often surprisingly uninformed about their city government, though its almost $30 billion budget is larger than that of all but three states. Now, however, with Staten Island secession on the horizon and secessionist rumbling in Queens even as the city continues to suffer from a serious recession, the structure and function of city government demand scrutiny.

There is no single cure for our current economic and political problems. But the precondition for any remedy is an awareness of how city government does and doesn't work. City government is viewed by the vast majority of New Yorkers—and this includes many who work within its labyrinthine chambers—as a mysterious entity, almost a natural phenomenon that has existed in its gargantuan form for so long as to be regarded as a fact of life, failures and all.

The *City Journal* wants to make city government less mysterious, and hence more open to reasoned debate. By making the mechanisms of government more visible, we hope to help New Yorkers, who face a crucial mayoral election this year, engage the issues as in any healthy democracy.

Many of the articles in this issue, including Charles Morris's account of why the city's budget gaps are likely to grow, were written with the belief that sunlight is



the best cure. But perhaps none is more important than Edwin S. Rubenstein's "A Citizen's Guide to City Government." The budget, Marx observed, is the skeleton of the state, and Rubenstein's account of the city's spending exposes New York's skeleton to an analytic x-ray. Reading this breakdown of how the city government chooses to spend our money will give citizens a new perspective on city government. I suspect, for example, few are aware that schools, social services, and debt service consume more than half the budget, while the parks receive less than half of one percent.

Kay S. Hymowitz's "The Futile Crusade: The Rise and Fall of Joe Fernandez" places the problems of our schools in the context of a centralized structure that continues to fail our children even as it has gone through 11 chancellors in the last twenty years. Our "At Issue" roundtable takes a look at the broader movement to decentralize city government, a movement aimed at breaking the city's vast bureaucracy into smaller and hence more accountable parts. As it now stands, when a resident of the Bronx votes for mayor, she votes on the quality of road repair, the performance of the schools, and a hundred other issues. Borough Presidents Howard Golden of Brooklyn and Ruth Messinger of Manhattan argue in our roundtable that if the boroughs were given direct responsibility for those services that could be delivered better on the local level, voters would be able to hold their borough officials accountable for the quality of those services.

We at the *City Journal* are well aware of the difficulty of reshaping government and revitalizing the economy in a city that has become deeply conservative, in the literal sense of being resistant to change. Pulling New York out of its downward spiral has been compared with turning a battleship in a bathtub. But we are also aware that a growing number of New Yorkers are willing to reconsider the old orthodoxies. If we and our readers can play a part in raising the level and scope of debate, we can help create a mayoral campaign that goes beyond the traditional game of diversionary charges and countercharges.

—FS

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DEINSTITUTIONALIZING THE MENTALLY ILL

A Conversation with the Author

In the Winter 1993 issue of the City Journal, *Heather Mac Donald wrote about Larry Hogue, a mentally ill crack addict who has terrorized the residents of West 96th Street for years. Since her article was published, Hogue has been committed to a mental hospital.*

The City Journal *invited several people who have been directly involved in Hogue's case—from the neighborhood, Police Department, District Attorney's Office, mental hospitals, and government agencies—to comment on Mac Donald's article and to discuss reforming the care of the mentally ill in light of their needs and the needs of communities.*

HEATHER MAC DONALD: Yesterday the Appellate Division of New York's Supreme Court committed Larry Hogue for six months of treatment in a state hospital. The court's decision is a testament to the persistence with which citizens of the Upper West Side have demanded that the state mental health system act responsibly.

It would be premature, however, to declare a turnaround in New York's mental health policy, which continues to be driven by a powerful conjunction of fiscal imperatives and ideological pressures that militate against long-term commitment of the seriously and violently mentally ill. That conjunction was depressingly in evidence after the recent fatal beating of an eighty-year-old woman by Christopher Battiste, a mentally ill homeless man, in the South Bronx. While city and state officials traded charges over the incident, the only reform proposal offered by the state was to accelerate the shifting of resources from institutional to community care.

The comments of State Mental Health Commissioner Richard Surles exemplified how blindly reflexive the commitment to community care has become. After listing the wondrous savings that will accrue to the state from further decreasing the hospital census, Surles admitted a slight catch in the plan: No community centers would have taken Battiste. "He was too hostile, too dangerous, too unpredictable and too unmotivated," Surles said. He asked

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staffers at one of the few facilities that treat both drug abuse and mental illness if they would have accepted Battiste. "They recommended prison or state hospital until he indicated more willingness to cooperate in his treatment." In the same breath, Surles advocates a policy of community treatment and acknowledges its infeasibility.

The solution to the problem of the Larry Hogues and the Christopher Battistes lies not in communities already deeply frayed by the homeless mentally ill, but in the reconstruction of the total care institutions for the long-term treatment of the seriously and violently mentally ill. For patients with serious drug-aggravated mental illness, intensive long-term treatment is the best hope for improvement. Sending such patients back into the community not only ignores their medical needs, but destroys the public life of the city as well.

WILLIAM GRINKER, Center on Addiction and Substance Abuse, Columbia University, and former commissioner of the Human Resources Administration: The city and state governments have deliberately deemphasized the number of seriously mentally ill people on the streets of New York. It is a miracle that we haven't had more violence, given the mentally ill population that is on our streets. Probably 10 to 20 percent of the mentally ill are people like Larry Hogue, and they should be institutionalized for a much longer period of time.

Eighty to 90 percent of the mentally ill population can function in the community, however, and we have to provide decent, ongoing, supervised care for them. The mental health establishment has failed to implement the policy of deinstitutionalization by failing to create enough community residences for the numbers of people who are being let out of institutions or who have never been institutionalized in the first place. If small community residences were created in a reasonable cross section of the city, a large part of the problem on the Upper West Side and in other neighborhoods would be alleviated.

FRED SIEGEL, *City Journal*: You are assuming that the legal reformers who fought for deinstitutionalization had as their intention a functioning community mental health system. But many acknowledged that they were never interested in community mental health. Bruce Ennis, who is quoted in Heather Mac Donald's article, fought for deinstitutionalization because he believed that it was the institutions that made the mentally ill sick in the first place. He didn't want community mental health facilities to take the place of the institutions, because he thought they would be a restraint on freedom.

WILLIAM GRINKER: Some of the ACLU lawyers have this attitude, but I think the responsible psychiatric mental health community always believed in community mental health facilities.

MYRON MAGNET, *Fortune*: There is a problem with the idea that mental patients will derive therapeutic benefits from living in the community. The community, the very thing which is supposed to be of benefit, is eroded by the presence of the mentally ill. This is happening on the Upper West Side, where our children go to school through a gauntlet of people who aggressively panhandle or make sexually frank comments.

AARON BILLER, Neighborhood in the 90s Block Association: I would like to tell you about a community residence that the Volunteers of America wanted to open on the Upper West Side, which may help you understand our opposition to these facilities. At first they wanted to put it on 95th Street, opposite a school. Our group asked them simple questions: What type of people would be living in the facility? Would they screen for pedophiles? We were told that they couldn't screen. We asked them if they could give priority to the mentally ill people living on our streets, and were told that the whole city was the "catchment area"—in other words, they were going to bring more mentally ill people into our community.

When we asked the Volunteers of America what they were going to do to ensure that patients take their antipsychotic medication, they said they had a nurse who came in four days a week. We said we thought compliance required a seven-day regimen—what did they do on the other three days? They said, we give them a packet of pills and tell them this is what they must take every day. We asked them what kind of supervision they had for the residents, because they don't have regular recreational activities. They didn't have an answer. Somebody from our group said, "Oh, we have been to your facility. You have the guard there and he puts the TV on. And then the patients go out into the streets." Finally, we asked if they were doing anything about the fact that their clients have a very high rate of tuberculosis. There is a strain of tuberculosis

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prevalent in homeless people which is not treatable. They had no answer.

When the Volunteers of America opened a facility on 97th Street, they had everything so well planned that they had to go to one of the local churches and ask if they had a community supper program to which they could send their patients. They were told there was no room.

DR. MANUEL TRUJILLO, Bellevue Hospital Center: I have a recommendation for community organizations like Aaron Biller's. Formulate the standards to which you are going to hold a community mental health center. Make sure that the local community-based mental health agencies are responsive to you and that you are represented on their boards. In the last ten years the associations of the families of the mentally ill have gotten tremendous power. They are helping to shape mental health policy. I think it's time for communities to do the same thing.

HEATHER MAC DONALD: I would add that the victims of the excessive pursuit of deinstitutionalization are not just the middle class, but the poor as well. The dumping may have been greatest in minority districts that don't have the clout of the Upper West Side. They need representation too.

Another problem with community care is that the facilities are not responsible for the behavior of their patients off-site. A possible reform is to establish some accountability on the part of the service providers for their clients' behavior in the community.

DR. MANUEL TRUJILLO: I would like to point out that for every person like Larry Hogue there are nine people who have been deinstitutionalized and are doing well. They are making progress and their quality of life is far better than before deinstitutionalization. On what basis can we deny these nine people their right to live in the community?

HEATHER MAC DONALD: I agree that for the majority of mental patients community care is the optimal solution. However, if we put our entire focus on community care, patients are not going to be carefully screened to determine who is likely to succeed in community centers and who should stay in the hospital. Hospitalization is just not on the agenda.

DR. MANUEL TRUJILLO: For high-risk patients we need a new social policy that makes it easier to retain them against their will in inpatient facilities. We also must get outpatient commitment enacted into law. Right now someone can be committed against his will only to an inpatient facility—that is, a hospital with 24-hour supervision. Typically, while a patient is in the hospital, he takes his medication and does well, but some patients go off their medication when they are released. The law has no ability to compel them to show up at an outpatient facility once a week, or once a day, for medication or evaluation. An outpatient law would make it possible for judges to do that.

HEATHER MAC DONALD: But will outpatient commitment work? There is already a law requiring an intensive case manager for mentally ill patients who have been released from hospitals—Hogue supposedly has one—but nobody follows up. Can you track down noncompliant patients in New York City and bring them before the judge? And again, how are you going to say to communities, "Let's just try it. Chances are the patients are going to go off their medication, but don't worry, we'll find them."

WILLIAM GRINKER: Heather Mac Donald's article said that despite all the evidence that institutionalization is necessary for some patients, the state continues to let people out of the institutions and shrink the system. How should the standard for institutionalization be modified?

CHARLES GUNTHER, Deputy Inspector, New York Police Department: I think that's a very good question. I would like to offer my vantage point as commander of the 24th Precinct for two-and-a-half years. First, the complaints we got about quality-of-life issues crossed all economic boundaries. It wasn't as though wealthier people complained more about panhandlers or people urinating in front of their children.

Let me describe how the police used to respond to mentally ill cases. When I was a young officer and we got calls about people who were emotionally disturbed, we would ask them very basic questions, such as did they know where they were or what day of the week it was. If the answers weren't acceptable, we would take them to a hospital for evaluation. A person could also be put in a hospital for psychiatric evaluation if someone came to us with a letter from a psychiatrist saying that the person was emotionally disturbed. Now we can only take someone off the street if he appears to be mentally

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ill and is conducting himself in a manner that is likely to result not just in injury but in *serious* injury to himself or others, or if we have a letter from the commissioner of the Department of Mental Health, Mental Retardation, and Alcoholism Services.

PAUL SHECTMAN, Manhattan District Attorney's Office: In April 1992, Larry Hogue was picked up by the police on the Upper West Side, his face painted green and sucking gas out of car tanks. He was brought to St. Luke's Hospital, where a psychiatrist said he was the single most dangerous person she had ever seen. He was then taken from there to the Veterans Administration Hospital at Montrose on an involuntary commitment order. He stayed there for two weeks, and then the hospital decided to release him. They told me he was not an "imminent danger" to himself or others because he wouldn't be dangerous until he went back onto the street the next day.

Given all the times the police arrested Hogue and brought him to psychiatric facilities because he was out of control on the streets, why didn't anyone take a case to court to determine whether he could be involuntarily committed for a longer period? That wasn't done until he appeared on "60 Minutes."

DR. MICHAEL PAWEL, August Aichorn Center: We did make the case. Hogue was always hospitalized by judges and he was always released by psychiatrists.

DR. MANUEL TRUJILLO: One of the problems is the ideological division within the psychiatric profession. When Larry Hogue came to Bellevue, I had problems with the first doctor assigned to the case because he was a follower of Thomas Szasz. He didn't even believe in the existence of mental illness. The second problem is that the doctor has to make a choice. He may have fifty patients in the emergency room waiting for beds. Should he go to court with a case when he knows he is going to lose? Paul Shectman is right: The only reason Larry Hogue is in the mental health system today is because he was the subject of a report on "60 Minutes." We can't get all our patients on "60 Minutes."

MARTIN BEGUN, New York City Department of Mental Health, Mental Retardation, and Alcoholism Services: There are psychiatrists on our staff at NYU who really believe that mental illness is just a lifestyle issue. But it's not only the psychiatrists who are opposed to institutionalization. I have talked privately with dozens of judges in the Court of Appeals, the Appellate Division, and the Supreme Court. They are wedded to the philosophy that freedom is always better than incarceration. Unfortunately, in these cases involving the mentally ill there is a collision between civil liberties and human dignity. When I became chairman of the Mental Health Board, I leaned very heavily at first towards the civil liberties position. But I realized that I was indulging myself in an grandiose exercise in personal theorizing. Somewhere along the line we have got to separate out the very seriously disturbed and begin to treat them as a separate class of patients.

FRED SIEGEL: In effect, then, we are under the grip of a consensus among judges, the civil liberties bar, and parts of the mental health profession that was created twenty years ago and until recently seemed unshakable.

MARTIN BEGUN: In 1977, Dr. June Jackson, the commissioner of mental heath, and I wrote a report to the mayor in which we said the Hogues of the world would become an increasingly dominant part of our lives, our police system, our court system, and our mental health system.

New York State is currently decommissioning thirty beds a week in its mental hospitals. In 1970 we had 96,000 beds in the state system; today we have 11,100.

But we don't have fewer problems today. We have a much more volatile population. Years ago, when American psychiatry concluded that psychotropic drugs would allow people to be released from state institutions, they didn't know that most of the mentally ill who would be on the streets today would be multiply disabled—with drugs, alcohol, HIV, and tuberculosis as well as mental illness. Two-thirds of the mentally ill today are addicted to drugs or alcohol. But in New York State, the law does not allow the mental health system to treat drug and alcohol abuse. We are operating with a mental health system created in the 1960s and 1970s on the basis of assumptions that are no longer applicable in the 1990s. The system is outmoded and a failure.

DR. MICHAEL PAWEL: The mental health system will never be given the ability to commit substance abusers because it would be too expensive. Long-term care for anybody in any setting, whether

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it's a prison, a nursing home, a child care facility, or a psychiatric hospital, is extremely expensive. There are 168 hours in a week, which means it takes five workers to fill one position on a 24-hour, seven-day-a-week basis. No matter how low the salaries are kept, it will still cost about $100,000 in overhead to care for one person.

WILLIAM GRINKER: The system is expensive, but we can do a lot better with the resources that already exist. We have a mental health system that refuses to see drug-addicted people and a drug-treatment system that refuses to see the mentally ill. We don't have to spend millions and millions of dollars to get these two systems to function interactively.

MARTIN BEGUN: The cost issue is a little bit bogus. It is my understanding that there are millions of dollars in state funding just sitting there because there aren't enough mental health agencies equipped to treat mentally ill chemical abusers.

I have asked the city administration to permit the city's Department of Mental Health, Mental Retardation, and Alcoholism Services to change its name from "alcoholism services" to "addiction services" so that there will be one single coordinating agency for both mental health and addiction treatment. But it is a struggle just to get the name of the department changed.

Some of the opposition to using mental health resources more efficiently comes from the unions. I am not anti-union by a long shot, but the civil servants' union has been a major stumbling block to doing anything creative or effective in the state system.

FRED SIEGEL: What are the unions afraid of?

MARTIN BEGUN: Losing jobs. After all, the state mental health system is the largest single bureaucracy in the state government. It has almost 46,000 employees and 27 hospitals. Most of the upstate hospitals are empty even though their budgets and staff sizes have remained constant. You can walk through the day room of Gowanda or St. Lawrence and see 12 staffers watching one patient looking at a TV camera.

FRED SIEGEL: What practical steps could be taken to integrate services for drug abusers with those for the mentally ill?

WILLIAM GRINKER: The most important step is to get the relevant agencies involved to sit down and work together. But it's going to take a tremendous amount of will to bring them together. It will be hard to do without pressure from the community. As Dr. Trujillo suggested, communities need to understand how these bureaucracies work and get them to work together effectively.

MARTIN BEGUN: There are two bills before the State Legislature this year that for the first time may see the light of day. One is a piece of legislation that Dr. Luis Marcos, the city's commissioner of mental health, has fought for. It would give the mental health system jurisdiction to treat mental illness induced by drug and substance abuse. The ACLU opposed it at first, but Dr. Marcos and I met with them and were able to get their cooperation because they are now getting nervous about the Larry Hogue situation.

The other is a bill that would require the state government to reinvest some of the money saved by closing state facilities in community residences. In my judgment, by the way, the state is closing the wrong hospitals. About 10 of the 27 state hospitals are still open because of regional politics. They are in small towns in upstate New York where the hospital represents what a military base would: jobs. These hospitals are super institutions. They have state-of-the-art facilities and competent staff. Some of the staffers have made family careers there for four and five generations. St. Lawrence County has a facility that is like a resort. But these are the hospitals the state is closing. It should be decommissioning some of the hospitals in New York City which have become no more than holding pens.

FRED SIEGEL: What is the basis for these decisions?

MARTIN BEGUN: The city hospitals are being kept open because of the traditional assumption that a patient should be close to his family for visitation purposes. But it has been documented that very few families visit their relatives in mental hospitals. I have often made the argument to family groups that they would be happier if their relatives were in a first-class facility in upstate New York rather than in a crowded, miserable facility here in the city, and they have agreed.

DR. MICHAEL PAWEL: One of the reasons behind deinstitutionalization that has not been mentioned here is the issue of the funding source. Federal Medicaid funding gave a great impetus to deinstitutionalization because it is

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not available to state hospitals but is available to voluntary hospitals with psychiatric programs. In the late 1960s it suddenly became profitable for general hospitals like St. Luke's to develop psychiatric units because patients could pay with Medicaid. This was encouraged by the state because it pays only 25 percent of the cost of Medicaid but 100 percent of the cost of a state hospital. When you talk about moving people out of the Medicaid-funded general and acute care hospitals and into the state hospital system, you are talking about moving people onto the state bill. I don't think it's realistic to expect that Albany will embrace this proposal.

I think we have to focus on creating community health care. Community groups can do a tremendous amount to foster responsible care for the mentally ill if they don't adopt a stance of unalterable opposition, but instead insist that certain standards—seven-day-a-week nursing, for example—be met. If these standards were set by the New York State Office of Mental Health (OMH), community service providers could demand that OMH give them the funds to meet those standards.

I also think there are some real lessons to be learned from the state's Community Support System (CSS) program. Under the CSS heading, the state funded whatever programs for the mentally ill homeless the service providers thought were needed. All kinds of programs were spawned: Some hospitals developed emergency room follow-up programs, other groups created programs and services for people in shelters. It has been the most successful chapter in the deinstitutionalization story.

MARTIN BEGUN: The bad news is that when the Larry Hogue story broke, the state commissioner froze all the CSS money the state gives the city and decided to use the fund to take care of the severely mentally disabled like Larry Hogue. Instead of taking a look at the whole system and using some of the money they are saving by decommissioning hospitals, they took a remarkable program and turned off the funding, leaving everybody high and dry, so they could use the money to manage the crisis of the moment.

DR. MANUEL TRUJILLO: I think it's wrong to present our problem with mental health as primarily one of cost. New York State has $2.5 billion to $3 billion to spend on this problem. The problem is a lack of coordination. Twenty to 30 percent of the money falls between the cracks in the system. I recently reviewed the records of twenty patients at Bellevue, each of whom had been admitted within the previous six or seven weeks to as many as 24 other facilities. I jokingly suggested to the commissioner that we should buy Pan Am's reservation system. Under the current system, I have no way of knowing what resources might be available that would fit a patient's needs.

MYRON MAGNET: In all this talk about what this agency or that agency should do, we shouldn't be blinded to the enormity of the civic failure that has resulted from deinstitutionalization. Until someone can show us that deinstitutionalization really can work for communities, we have to judge that it has failed.

HEATHER MAC DONALD: Any policy that ignores its effects on citizens at large is bound to fail in the long term. The community has heretofore been wholly unrepresented in decisions regarding New York's mental health policies. Thanks to the efforts of communities like the Upper West Side, one can hope that sometime in the future such indifference to the concerns of citizens will end.

FRED SIEGEL: Judge David Bazelon, one of the first judges to set deinstitutionalization in motion, made an observation that summarizes much of what we have been saying. Deinstitutionalization, he said, was originally based on an argument for individuation, for not treating the mentally ill as a single category. The problem with deinstitutionalization as it has been practiced is that it treats people like a category, that it doesn't individuate. We need a policy that recognizes the variety of problems the mentally ill have and gives each patient the treatment suitable for his particular needs. ■

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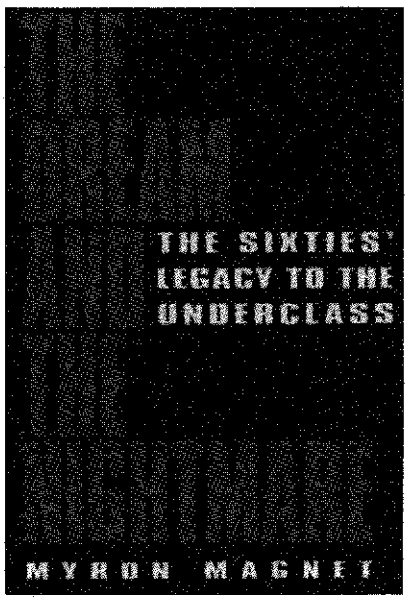
THE CULTURAL DIMENSIONS OF SOCIAL CHANGE



In The Dream and the Nightmare: The Sixties' Legacy to the Underclass *(William Morrow & Co.), Myron Magnet, a member of the Board of Editors of* Fortune, *argues that the poor have paid the price for middle-class cultural liberation.*

Full of hope and exhilaration, the nation turned itself and its culture inside out during the Sixties in an effort to better the condition of the poor and black. How, then, is it possible that a seemingly permanent underclass has come into existence in our inner cities and that an epidemic of homelessness has filled urban neighborhoods with a Dickensian poverty? In *The Dream and the Nightmare*, I argue that such pathological poverty came into being not in spite of, but because of, the cultural shift that began in the Sixties.

You can call that shift, with only a little exaggeration, a cultural revolution. It took place in the name of two related types of liberation. The first was an effort to free the excluded Have-Nots, the poor and black, from their marginalization. The second was an effort on the part of the Haves—by which I mean not the rich but the basically prosperous, mainstream, and established—to achieve a different kind of liberation for themselves, an inner deliverance from a sense of anxious, deadening conformity into a freer, more authentic, happier selfhood. These changes in the culture steadily diffused themselves into the population at large.

Unfortunately for the worst-off, too many of the messages that came from the new culture only served to bind them more firmly to their poverty and marginality. When you look at the members of the underclass, that 2 percent or so of the population at the very bottom of society, what strikes you is that poverty is not ultimately their differentiating feature. What makes them distinct enough for social scientists to need a special name for them is their behavior: chronic lawlessness, drug use, out-of-wedlock births, failure to work, welfare dependency, and academic failure, all of which combine to make their poverty intergenerational. More than an economic condition, "underclass" describes a state of mind and a way of life.

If you want a demonstration of how changed ideas and values can transform social reality, focus on the homeless. The 40 to 50 percent of this group who suffer from serious mental illness and get no treatment are in the most direct way victims of the culture shift.

In the Sixties, madness was deemed a rational response to the

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insane world we had made. Asylums came to be seen as emblems of the social regimentation that robs people of their freedom, pleasure, and life-affirming impulses. The insane were seen as a metaphor for the Have-Nots: another victimized group, innocent, powerless, outside the mainstream, forced by fear of their oppressors to communicate by the signs of madness rather than direct statement. Within the psychiatric establishment, such ideas went far to discredit institutionalization for the insane, and state hospitals began to empty. The deinstitutionalized were supposed to be looked after by a system of community mental health centers, but those that were established were not interested in treating the seriously ill, who were scruffy and unappealing. Instead, they were bent on creating "community mental health," which in practice often meant something indistinguishable from Sixties-style community activism.

Four basic ideas, central to the new culture, went into the making of the underclass. The first was the belief that the poor are, by the mere fact of their poverty, victims. Poverty gets inside them, filling them with feelings of futility which lead them to self-destructive behavior. This condition, it is said, can be overcome only by changing the structure of the economy. In this way, the poor are relieved of the sense of personal responsibility, control, and freedom we all need to summon the energy and initiative to change our fate.

The second baleful new idea was that the poor are entitled to reparations. Cockeyed ideas of economic victimization got mixed up with an appropriate horror at racism to produce the belief that the state had to compensate the poor, especially poor blacks, for their plight. That compensation turned out to be welfare, which has become a machine for perpetuating the underclass by stifling initiative, undermining values, and supporting the most blighted family structures. Anyone who looks at underclass children, with their deplorable legacy of poor health, emotional and intellectual stunting, and failure in school and later life, would have to ask whose welfare is being advanced by a system that proliferates terribly dysfunctional families.

Third, the new culture inclined toward the view that crime was the responsibility not of the criminal but of the social environment. Since the principal deterrent from crime is each individual's conscience, built up out of moral imperatives that come from the culture, such a message was profoundly mischievous. In addition, a widespread belief that police had a general tendency to oppress the poor and black served to weaken the institutional barriers to crime by producing court decisions that excessively constrained the criminal justice system, turned the juvenile courts into a farce, and weakened much of the order-keeping authority of the police.

The fourth new idea was that judges should effect social changes in the name of perfecting justice and liberty. The idea flowed out of the *Brown* v. *Board of Education* desegregation decision, in which the Supreme Court courageously began to push back the official segregation that had disgraced American democracy. But in the end, fanciful legal reasoning overturned the essential principle of nondiscrimination that *Brown* had seemed to establish. By the Seventies, thanks to a run of tortuous Supreme Court rulings, children across the nation were being bused in an effort to integrate schools. As a consequence of the ensuing white flight, the big-city schools ended up much more segregated by the mid-Eighties than they had been before busing started. Meanwhile, the focus of the schools turned from education to social engineering—surely one of the reasons why big-city public schools have failed this generation of the poor.

Today's political correctness movement makes explicit—and takes to a zany extreme—ideas that have long been central to the cultural revolution. PC makes clear that trashing the culture has been not an incidental feature of the new order, but a key intention. If the cultural revolution has been aiming at liberation, the thing we most need liberating from—according to PC orthodoxy—is the entire structure of Western culture, which adds up to nothing more than a farrago of racism, sexism, and classism aimed at oppressing the poor, black, and weak. So it needs to be deconstructed, devalued, and robbed of its authority if the dispossessed are ever really to be free. Traditional standards of ethics, merit, and achievement are arbitrary designations, designed to stigmatize and put down the poor, the nonwhite, and other victims.

This approach leaves the poor without the very values that point the way toward the mainstream. To solve the problems of the worst-off, we must not only stop doing what clearly doesn't work; we must also rehabilitate the few powerful ideas that for two centuries succeeded in transforming huddled masses into free and prosperous American citizens: responsibility, freedom under the rule of law, equal rights for individuals, and the freedom to shape one's own fate. ■

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WHY NEW YORKERS PAY MORE

Stephen Kagann

It is hardly news that New York is one of the nation's most expensive places to live. What may come as something of a surprise, though, is just how costly New York is: The cost of living is more than twice as high in the Big Apple as in the average city, according to a survey of 286 U.S. cities conducted by the American Chamber of Commerce Research Associates.

The survey examined living costs for typical city dwellers in middle-management jobs. It found that virtually everything costs more in New York City: Groceries are about 40 percent more costly than in the average city, transportation about 30 percent, and "miscellaneous goods and services"—everything from toiletries to clothing to entertainment—about 40 percent higher. But three categories of expenses contribute most heavily to the city's high cost of living: housing, which is a staggering four times as costly as the national average, and health care and utilities, each about twice as expensive in New York.

It is easier to grasp just how expensive New York is when these figures are put in dollars-and-cents terms. For example, the monthly rent for a typical two-bedroom apartment in the Chamber of Commerce Survey is $1,935 in New York; $480 in the average city. The typical New York family of four pays $43.54 a month for its local phone service, compared with a nationwide average of $19.36. And a routine visit to the dentist's office costs $85.00 in New York City, versus $44.37 in the average city.

One might expect that economies of scale would result in lower prices in the nation's biggest city. In some fields, this is true: Because their airports are so heavily trafficked, New Yorkers pay less for air travel than people in many smaller cities, and the competitive New York market means consumers pay less for TVs, stereos, and other electronic products.

On the other hand, the prevalence of apartment living and mass transit in New York reduces the use of energy, which should result in lower costs. Yet the average monthly household energy bill is $213.50 in New York; $110.71 in the average city. And not only are auto fuel and maintenance more expensive here than elsewhere, but the $1.25 bus fare is well above the average of 89 cents among those cities with public transit systems.

Even New York's severe economic slump has not provided relief from high prices. Under normal circumstances, prices tend to move in tandem with the business cycle—that is, when the economy is declining, the lower demand for goods and services pushes inflation down. But New York is an excep-

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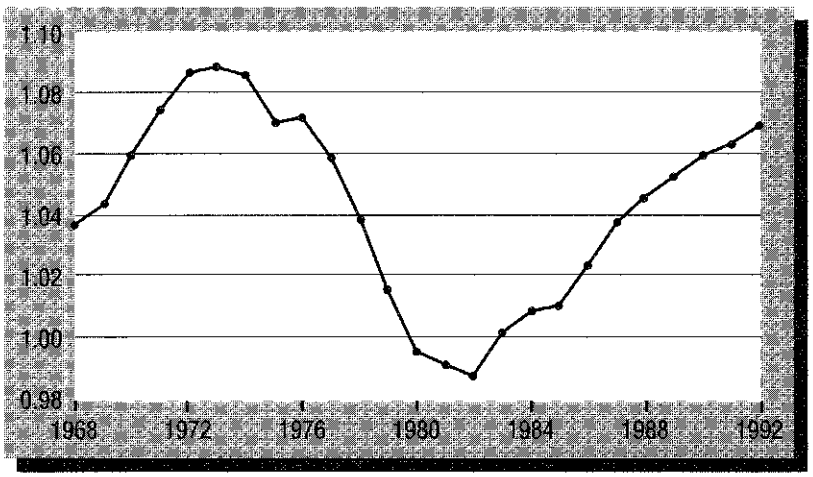
tion to this economic rule: For the last four years, inflation has continued to run higher in New York than in the rest of the country, even though the recession has been far more severe here.

Inflation is tracked using the Consumer Price Index (CPI), which is defined and measured by the U.S. Bureau of Labor Statistics. The CPI is initially set at 100, reflecting price levels during a "reference base period" (currently 1982-1984) and is adjusted as prices go up or down. The New York regional CPI, for example, was 151.9 in December 1992; prices had gone up 51.9 percent since the base period. By comparing the New York area CPI with the nationwide CPI (which was 141.9 in December 1992), we can see how much "excess inflation"—increases in prices over the national average—New York is experiencing. It is important to note, however, that the CPI measures only the rate of inflation, not the cost of living itself.

The chart nearby shows the ratio of the New York CPI to the nationwide CPI from 1968 through 1992. When the line is moving up—as it was until 1973 and has been since 1982—inflation in the city is higher than in the rest of the country. During the periods 1969-1974 and 1989 to the present, prices were rising more quickly in the city than in the nation as a whole, even though during both periods the city was in a severe recession while the national economy was either growing or declining much more slowly than New York's. Why is this so?

A study I conducted along with Zheng Gu, an economist in the Office of the City Comptroller, found that most of the city's excess inflation is accounted for by two

Ratio of N.Y. Regional CPI to National CPI



Source: U.S. Bureau of Labor Statistics

variables: the growth of local government employment above the national average and increases in property tax revenues. Both are measures of the high cost of New York's city government, the biggest in the nation.

State and local taxes are 55 to 80 percent higher in New York than in the rest of the country, depending on how they are measured. Some of these taxes—on personal income and sales, for example—are borne directly by consumers. But most are invisible to the average New Yorker, because "someone else" pays.

Yet these taxes are ultimately passed on to the consumer in the form of higher prices. Tenants pay more because of the high property taxes on apartment buildings; taxes on businesses—the commercial rent tax, the corporate income tax, and the commercial property tax—are passed along in higher prices for goods and services. The property tax is particularly important because it directly affects housing costs, which account for an unusually high portion of the cost of living in New York.

The increasingly high cost of living in New York is due primarily to the fact that, unlike other local governments, the city has usually failed to cut—and has often expanded—its municipal spending, employment, and taxes even during recessionary times. A shrinking private sector has been forced to raise prices in order to support a growing public sector. This becomes a vicious cycle, as higher costs magnify the pain of a recession and give businesses an incentive to locate elsewhere, putting more New Yorkers out of work. Ultimately, a prolonged deflationary period is necessary to bring prices down to a competitive level.

There was one such deflationary period before: between 1974 and 1982. To bring prices down then took not only a severe and prolonged recession, but also a fiscal crisis that forced the city to cut its government spending and employment. Unless New York's leaders get serious about reducing the size of city government, breaking the cycle of inflation and recession will ultimately be even more painful than it was in the 1970s. ■

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IS THERE A RIGHT TO BEG?

George L. Kelling

Panhandling in New York has been elevated to the status of a hallowed constitutional right. Last September, U.S. District Court Judge Robert Sweet struck down New York State Penal Law 240.35, which made it a misdemeanor to "loiter, remain, or wander about in a public place for the purpose of begging."

Sweet's ruling, which the city is appealing, came in a class-action suit filed by Jennifer Loper and William Kaye, two white youths who had been traveling through New York and have since left. (I served as an expert witness on behalf of the New York Police Department.) By their own statements, Loper and Kaye had never been harassed, intimidated, or arrested by police, though officers had on occasion asked them to move along.

Their experience was typical: Police seldom arrest people for panhandling or similar behavior, except when a disorderly person repeatedly ignores an officer's directives. While such mild measures do not stop panhandlers from begging or pestering people in the future, they do reassure citizens and put pressure on beggars to be less aggressive in the pursuit of money.

Sweet specifically enjoined police from ordering beggars to move on, holding that even such a gentle approach violates the First Amendment's guarantee of free speech. In the judge's view, a beggar soliciting money for himself is little different from someone soliciting money on behalf of a charitable organization: "The beggar just saves on administrative expenses." Moreover, according to Sweet, a panhandler is implicitly conveying a "broader social message": "that social and economic conditions and opportunities and governmental services are such that many people are unable to support themselves."

Sweet's argument conjures up images of a society seeking to sweep its problems under the rug by empowering cops to harass the desperately poor. The judge's fear has some basis in history: Until recently, public order was preserved largely through laws that criminalized "dangerous classes" of people. Going back to medieval England, people who belonged to such categories as vagrants, rogues, gamblers, idlers, and drunkards were considered criminals, simply on the basis of their social class. Such classes of people, it was believed, threatened society in three ways: They did not work, they consumed scarce resources in the form of aid, and their idleness predisposed them to lawlessness. Many of these English legal traditions were carried over into U.S. state laws, including a 1788 New York statute that classified as disor-

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derly "all persons who go about from door to door or place themselves in the streets, highways, or passages, to beg in the cities or towns."

The medieval, Elizabethan, and Victorian world views that shaped such vagrancy laws are no longer with us. Consequently, criminalizing people on the basis of status or class has become legally and socially unacceptable. Since the middle of this century, courts have properly rejected such laws in the name of free speech and due process. While many remain on the books, they are not enforced.

Efforts at preserving public order have therefore had to turn in a new direction. Rather than criminalize disorderly people, laws must now target disorderly *conduct*, a crucial distinction that was lost on Judge Sweet, who wrote:

> A peaceful beggar poses no threat to society. The beggar has arguably only committed the offense of being needy. The message one or one hundred beggars sends [sic] society can be disturbing. If some portion of society is offended, the answer is not in criminalizing these *people* . . . but addressing the root cause of their existence. The root cause is not served by removing them from sight, however; society is then just able to pretend they do not exist a little longer. [emphasis added]

The statute Sweet struck down, however, did not entail removing anyone from sight. The poor, the homeless, and the disheveled were perfectly free to use public spaces just like anyone else. The law simply imposed a rule of conduct: no begging.

Such rules are vitally important. Researchers such as Wesley Skogan of Northwestern University have shown that signs of disorder—panhandling, street prostitution, graffiti—help create the spiral of urban decline, as fearful citizens retreat into their homes, ceding the streets to criminals. Halting this spiral requires a strong set of laws against disorderly behavior, formulated with four basic principles in mind.

First, as Skogan's research has shown, a broad consensus exists about what constitutes disorder. People of all social classes and ethnic groups know what disorder is, fear it, and want something done about it.

Second, police must have a clear legal mandate to do the things society expects of them. Absent such a charge, either they are unable to fulfill citizens' reasonable expectations, or they can do so only by working around the law. Everyone in policing knows a story like this: The mayor tells the chief of police, "Bums are bothering women in the park during lunch. Don't do anything illegal, but get them out of there." The message gets passed along through the ranks and to the officers who patrol the park. They understand what is really meant: "Get them out of there. Do what you have to do and cover yourself." Officers become dirty workers, doing what "has to be done" irrespective of civil rights, legality, morality, or public debate and policy.

Third, police must have broad discretion to enforce the law in accordance with commonsense standards of order. Behavior appropriate at 4 P.M. can be outrageous at 4 A.M. Behavior appropriate at the Chinese New Year is improper at other times. Behavior appropriate at 11 P.M. in Times Square is unsuitable in a residential Brooklyn neighborhood at 9 P.M. on a weeknight. Judge Sweet, who does allow that "time, place, and manner" restrictions on begging might be permissible, would do away with such discretion. No one could devise laws specific enough to cover every situation, especially given the amazing inventiveness of con artists, minor criminals, and opportunists.

Finally, police officers must be trained—as nearly all are today—to understand that part of their job is protecting the civil rights of citizens, even those who once would have been condemned as members of "dangerous classes."

Society has properly recognized that the poor, minorities, and outcasts deserve the same constitutional protections enjoyed by middle-class citizens. But citizens also deserve to be protected from the dangers posed by public disorder. By overturning a rule of conduct as if it were a ban on a group of people, Judge Sweet has upset the delicate balance of rights and responsibilities so essential to urban civility. ■

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NEW FUELS WON'T CLEAR THE AIR

Richard Miniter

Early last November, the price of gasoline in New York City surged by about ten cents a gallon, the result not of heightened tensions in the Middle East but of misguided federal regulations and special-interest politics in Washington.

Under new Environmental Protection Agency regulations gas stations in the New York metropolitan area are only permitted to sell "oxygenated" fuel—gasoline with an additive designed to cut down on carbon monoxide emissions—from October through April. And between May and September, New York-area gas stations must sell new alternative fuels, which are supposed to reduce the buildup of smog.

New York's air is considered out of compliance with federal Clean Air Act standards governing the levels of both carbon monoxide and urban ozone (or smog). Through the use of reformulated fuels and other regulatory measures, the New York region is required to reduce its automotive emissions of carbon monoxide and the main components of smog—volatile organic compounds (VOCs) and nitrogen oxides—by at least 15 percent per year until it comes into compliance. If this goal is not reached before 1996, the region will face an even heavier regime of federal regulation.

But the EPA's approach not only fails to address the principal cause of New York's air pollution—older or poorly tuned cars—it also imposes costs on the consumer over and above the additional ten cents a gallon at the pump. The new oxygenated fuels reduce gas mileage, diminish a car's performance, and increase repair costs.

Moreover, the new fuels have environmental costs as well as benefits, a key fact often neglected by the press. The two most common additives in oxygenated fuels are ethanol, which is derived from corn, and methanol, made from coal or natural gas. While ethanol can reduce carbon monoxide emissions by as much as 22 percent, it increases the emissions of VOCs, a main component of smog, by 25 percent. Methanol, the most commonly used alternative fuel in the New York area, reduces VOC emissions by at least 30 percent, but it does not significantly reduce nitrogen oxides or carbon monoxide, and it increases emissions of some other pollutants.

The environmental benefits of alternative fuels are further diminished by the fact that both ethanol and methanol have been approved for year-round use in the New York area, though the benefits of each are seasonal. Carbon monoxide tends to build up during cold-weather temperature inversions, and is therefore primarily a winter problem in New York.

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Smog, on the other hand, results from chemical reactions triggered by high temperatures, so it is mainly a summer pollutant.

Why not, then, use ethanol to cut carbon monoxide during the winter, and methanol to cut VOCs during the summer? The answer seems to lie in politics: Manufacturers of both ethanol and methanol have strong lobbying efforts in Washington; each fights to have regulations written in a way that will increase its market share, regardless of the effect on the environment. Last October, for example, at a Rose Garden ceremony President Bush announced new EPA regulations requiring oil companies to produce a less volatile gasoline that can be mixed with ethanol for summer use, to compensate for the additive's increased emissions of VOCs. Among those attending was Jim Edgar, Republican governor of Illinois, the biggest ethanol-producing state. "This is going to help the economy of Illinois considerably," Edgar said after the ceremony. "I think the president will carry Illinois." (As it turned out, Bill Clinton won the state by a 13 percent margin.)

While seasonally targeting the alternative fuels would help alleviate the negative environmental side effects, it would not help the region meet its federally mandated emission reductions, because the EPA ignores crucial seasonal factors in setting its mandates. If the use of ethanol during the winter, for example, results in increased VOC emissions, that would count against the city in determining whether it meets the 15 percent targeted reduction of VOCs—even though VOCs are not a serious problem in cold weather.

There are other problems with the new fuels. Both ethanol and methanol are far more toxic than gasoline. Moreover, both are water-soluble, so a spill could foul ground water and be extremely difficult to clean up. Though spills are rare, it is not uncommon for underground fuel tanks to rust and leak.

Although the costs of oxygenated fuels are imposed on all drivers, almost all air pollution is produced by older or improperly tuned cars. Cars manufactured today, for example, emit 76 percent less nitrogen oxide and fully 96 percent less hydrocarbons (one form of VOCs) than those made in 1970. There are no benefits to using oxygenated fuels in newer vehicles, for all cars manufactured since 1983 are equipped with oxygen sensors, which ensure an optimal fuel-to-oxygen mixture, allowing the car to burn gasoline as cleanly as it would burn oxygenated fuel. A University of Denver study found that 299 out of 300 post-1983 cars show no decrease in emissions from using oxy-fuels.

A 1989 EPA study examined carbon monoxide emissions of eighty vehicles. Burning regular unleaded gasoline, they emitted a total of 397 pounds of carbon monoxide. When the same eighty cars were put on oxygenated fuels, total carbon monoxide emissions fell to 194 pounds. If, instead, the four dirtiest cars were taken out of service, total emissions would fall to 59 pounds—a far greater reduction than achieved by switching to oxy-fuels. University of Denver researcher Donald Stedman says similar results would be found for other pollutants.

The city has the option to request a waiver from the federal alternative-fuels program. It should do so, and instead embark on a program of reducing pollution by targeting the older cars that are responsible for the bulk of it. All privately owned vehicles in the New York region are required to undergo a tailpipe emission test every year. State and local governments should offer tax credits equal to the price of tuning up polluting cars to meet air pollution requirements. If the car is so old or in such poor condition that it cannot meet air quality standards, then the government should buy it and junk it. Further, all government-owned vehicles should be tested immediately and those that pollute either be tuned up or sold out-of-state, whichever is cheaper. Rather than force the owners of clean cars to pay more for fuel, such a program would make drivers individually responsible for the pollution they produce. ■

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DIVORCE COURT NEW YORK STYLE

Walter K. Olson

In the old days, it was so hard to get a legal divorce in New York that unhappy couples had to collude to set up grounds for it. Courts would not dissolve a marriage without proof of misconduct, preferably of a documentary sort. So companies "sprang up that supplied a hotel room, a phony partner, a private detective, and a photographer," as Glenda Riley recalls in *Divorce: An American Tradition*. Such absurdities became a staple of popular novels of the period and turned up in at least one Astaire-Rogers musical.

Today, as we all know, New York and the rest of the country have swung to the opposite extreme, once represented by Nevada alone: Either spouse can unilaterally divorce the other, for any reason or none. Many thought that, whatever the drawbacks of this regime, the legal process would at least burn up less money than it did when "fault" had to be proven every time.

But it hasn't worked out that way, at least in New York City, judging by a remarkable study issued recently by the city's Department of Consumer Affairs. The study reports that a couple in a "typical" contested divorce face combined legal fees of an astounding $50,000—an enormous burden for all but the wealthiest families.

The biggest culprit, the report says, is New York's vague equitable distribution law, passed in 1980. It broadened judges' discretion to consider a great range of factors in splitting up a divorcing couple's property. That gives the two sides plenty of handles to litigate. "The vast amount of money that can be made because of this new law has become an inside joke among lawyers," notes the report. "Court referee Steve Liebman said a divorce that would have cost $6,000 in total fees for both sides before 1980 now runs 'easily' $50,000."

"Most lawyers will prefer to leave no stone unturned, provided, of course, they can charge by the stone," Deborah Rhode of Stanford Law School has commented. "Tracing" assets requires elaborate inquiries into bank and business records. Both sides can call in forensic accountants, value-of-a-professional-degree appraisers, and other pricey expert witnesses, along with child psychologists and social workers to help with the equally vague new legal standard on child custody ("best interests of the child"—as if anyone could agree on what that means). As this area of the law has become "hot," big law firms have launched divorce departments; some play marital splits like any other high-stakes litigation.

The opportunities for misconduct by unscrupulous lawyers seem to have multiplied with the

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stakes. "In matrimonial law," Manhattan divorce lawyer Howard Benjamin told Consumer Affairs, "you know exactly how much money your side has and exactly how much your opponent's side has, and in the hands of less than an honest lawyer, that's very damaging information."

Opponents get abused in virtually every area of litigation. This one, much more than most, is also beset by the financial exploitation of vulnerable clients. Some lawyers wait until the eve of a major court date, then demand huge sums of money to proceed. Clients who try to switch lawyers may find they cannot get back their personal papers, even those as vital as passports—which are kept for security of payment, under a "retaining lien." (New York lawyers, it seems, are particularly fond of this kind of lien and have helped block national guidelines that would rule it improper.)

Other attorneys charge a big retainer up front and pocket it even if they wind up doing little or no work on the case, a practice struck down in January by a state appellate court as unethical. (The case is likely to be appealed.) Some defend nonrefundable fees on the grounds that an attorney deserves money for passing up the opportunity to be hired by the other side. One lawyer's retainer agreement reportedly characterized the nonrefundable charge as a "penalty fee" in case the client reconciled with the spouse.

A few lawyers have wound up holding whole portfolios of mortgages on their clients' houses; one, the report says, "has been known to run out of his office an independently organized collection agency—specifically to collect on his own accounts."

Long Island lawyer Willard H. Da Silva, writing in the professional journal *Family Advocate*, recommends a fee that is neither payable in installments nor refundable. "If the client cannot afford the retainer, he or she can borrow from parents or relatives, sell a piece of jewelry or securities, refinance a car, or obtain a personal bank loan."

As for abuse directed against the opposing side, no brief survey could do that topic justice. In divorce law it ranges from "freeze and starve" tactics against dependent spouses, to blackmail threats to divide a breadwinner's ongoing business in ways that will destroy it. It is common to use unnecessary motions and procedural demands to impose costs on the other side.

Here, of course, the bar has a good comeback: It's very often the client who goes shopping for the "bomber" and insists on the most aggressive policy. Still, Richard Crouch, who used to chair the ethics committee of the American Bar Association's Family Law Section, has argued that it's time to write rules that would help lawyers resist. The abuses against opponents, he writes, have "grown close to intolerable."

Though there is some wish for reform within the divorce bar, many of its members, including lawyers of high ethical standards (yes, there are a lot of those, too), were annoyed to hear criticism from the outside, especially from Consumer Affairs—were they then to be regulated as a business like any other? Yet in a sense, it's no surprise to see Consumer Affairs taking an interest: For many families, divorce turns out to be the most expensive "product" they ever buy. What's more, the consumer dissatisfaction rate is undeniably high. Back in the early 1980s, sociologist Terry Arendell interviewed sixty California mothers for her book *Mothers and Divorce* and found 53 "had strong complaints" about the lawyers they had hired. Of the seven who did not, three had prepared and filed their own divorce papers without lawyers' help, three had worked out agreements with their husbands before hiring lawyers to draw up the papers, and one was a law student herself who got a professor to serve as her attorney.

Nor is the bar policing itself. Consumer Affairs Commissioner Mark Green, like Crouch and nearly everyone else, is of the opinion that the system for disciplining lawyers offers little help to aggrieved clients. In 1990, for example, there were 2,550 complaints against the lawyers of Brooklyn, Queens, and Staten Island, of which a mere 26 led to public sanctions. These figures are for lawyers in general, not divorce lawyers; the American Bar Association estimates that only about one hundred family-law lawyers get sanctioned each year nationwide.

In New York, an energetic group of women have set up a grassroots group called the Coalition for Family Justice to press the case for divorce reform. As Crouch points out, the bar has a stake in beating outsiders to the punch: "Shoddy conduct, going unpunished, tends to bring the whole divorce bar [into] disrepute." There's the public interest to consider as well. We keep hearing of law as the great protector of poor people; if so, it would seem about time that it stopped making so many of them. ■

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LUXURY DECONTROL: IF NOT NOW, WHEN?

Joseph Bruno

Opponents of New York City's regime of rent regulation often point to cases of millionaire movie stars and corporate executives who live in luxury apartments at outrageously low rents. At first glance, this may seem a relatively minor outrage: wealthy landlords being forced to subsidize their wealthy tenants.

But most people aren't aware that the amount of rent collected annually in an apartment building affects the amount of real property tax the owner is required to pay the city. If apartment rents are kept at below-market levels by rent regulation, the city will collect fewer tax dollars from the landlords.

A study by the accounting firm KPMG Peat Marwick examined what would happen if rent-regulated apartments occupied by families whose incomes exceed $20,000 were decontrolled. The study found that assessed values of real property in New York would rise by $4 billion and property tax collections would go up by $370 million a year.

I am not recommending that tenants with incomes of $20,000 or more be subject to decontrol. But in 1989 I introduced a bill in the New York State Legislature that would have deregulated apartments renting for more than $2,000 a month or occupied by tenants making more than $100,000 a year. Apartments in both categories would have continued to rent at their regulated rates until the lease terms expired, so that families would have time to negotiate new leases or find other apartments. (My bill was approved by the Senate but not the Assembly.)

New York City bureaucrats objected that it would be impractical to develop a system for tracking rent and income. But the advent of computerization means the process could easily be automated. City, state, and federal agencies already certify the income of families living in formally subsidized housing; at least 400,000 New York City residents are currently subjected to such income verification. The city estimates the process costs less than $5 per family—clearly much less than the cost of subsidizing the wealthy under rent regulation.

The value of this subsidy is enormous. A 1989 study by Henry Pollakowski of Harvard's Joint Center for Housing Studies found that the average regulated rent in Manhattan's better neighborhoods was between $362 and $432 a month lower than market rents. Citywide, the average rent-regulation discount was a mere $44 a month.

The cost of this subsidy, as I have noted, is borne not only by landlords but also by the city as a whole in the form of lower property tax revenues. The city must make up for this shortfall either by raising taxes elsewhere, by cutting municipal services, or by asking Albany for more aid. The latter alternative is particularly galling to my constituents: While the state is sacrificing to meet its own revenue requirements, it is unconscionable that upstaters, suffering themselves from higher property and school taxes, must bear the burden of New York City's failure to decontrol luxury apartments. It is equally appalling that poor and middle-income New York City residents are asked to subsidize cheap rents for their wealthy neighbors. ■

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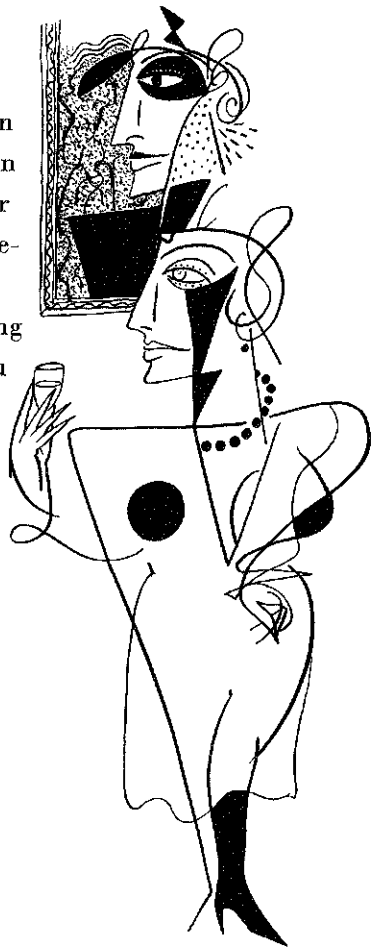

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A Citizen's Guide to City Government

Edwin S. Rubenstein

At more than $29 billion, New York City's annual budget is bigger than that of all but a handful of states. But it can be hard to find clear information on the city's spending priorities. To help New York's citizens understand their city's government, the *City Journal* presents this guide to the budget.

New York City is one of the biggest governmental entities in the United States. With a budget in fiscal 1992 of more than $29 billion, the city spent as much as Texas, a state with more than 17 million people, and substantially more than any other state except California and New York. Even on a per capita basis, New York's spending dwarfs that of every other U.S. city, except Washington, D.C., which has no state government. Much of the growth in city spending has been relatively recent: Even after adjusting for inflation, it has more than doubled in the past 25 years.

The city government comprises the offices of the mayor, comptroller, City Council, and five borough presidents, plus 19 mayoral agencies and a host of smaller offices. The city directly employs nearly 235,000 people, levies 28 different taxes and well over 100 fines and other fees, and has an intricate web of relationships with the federal and state governments as well as with numerous independent public authorities such as the Health and Hospitals Corporation and the Transit Authority. The sheer size and complexity of New York City's government makes informed citizenship a daunting goal: The average citizen may have a general idea of his tax burden and the nature of the services he gets in return, but even for politically active New Yorkers it can be hard to find clear information on which to judge the city's overall priorities.

Yet an informed citizenry is particularly crucial in a city that faces the likelihood of serious fiscal problems in the next few years. The city's budget, the most complete and accurate source of information about New York's governmental priorities, is also a document of enormous complexity. Therefore, the *City Journal* presents "A Citizen's Guide to City Government"—an overview of the budget and an agency-by-agency breakdown of the biggest and most important city expenditures.

Budget Overview

According to the city comptroller's annual report, New York City's 1992 expense budget (which covers the fiscal year beginning July 1, 1991) was $29.02 billion, a 4.7 percent increase since 1989 after adjusting for inflation. This does not include $3.9 billion spent on capital projects in 1992, financed with city bonds. Federal and state aid covered

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33.4 percent of the city's general fund expenditures; city taxes, 58.9 percent; and other local revenues, such as license fees and fines, 7.7 percent.

This article will analyze the city's 15 largest expenditure areas as well as parks and libraries, two small agencies that rank 20th and 21st among city expenditure categories and are included because of their importance to civic life. More than half of New York City's 1992 spending was accounted for by the top three items: the Department of Social Services (DSS), which consumed $6.83 billion; the Board of Education, $6.63 billion; and debt service, $2.97 billion. To some extent these are considered nondiscretionary expenditures, driven by state and federal mandates or, in the case of debt service, by the city's obligation to pay off its bonds.

Between 1989 and 1992, DSS and debt service were among the fastest-growing city expenses. The 19.0 percent rise, after inflation, in DSS spending (mostly welfare and Medicaid) reflects the combined effects of a public assistance caseload that has grown by 220,000 people, or 27 percent, in three years and medical cost inflation that has pushed Medicaid outlays up at double-digit annual rates.

Debt service payments rose faster than any other major expense, growing by 47.7 percent after inflation between 1989 and 1992, versus only 9.2 percent in the preceding three years. Debt service accounted for three-fourths of the net real increase in city spending between 1989 and 1992. The primary reason for this recent growth was the city's practice during the 1980s of deferring interest payments by refinancing debt. This brought debt service costs down for a while: They consumed 11.0 percent of the general fund in 1983, versus only 6.3 percent in 1990. But the bill is coming due today, just as the city is experiencing difficult economic times. And New York City's total outstanding debt, including bonds issued by the Municipal Assistance Corporation for which the city is responsible, is more than $25 billion—again, higher than that of any *state* except New York and California.

The only other major expense that grew faster during the last three years than during the preceding three was employee benefits. This increase was driven primarily by growth in the cost of workers' compensation and health insurance.

By contrast, the city has made considerable reductions in core municipal services. Between 1989 and 1992, the Police Department budget shrank 1.5 percent in real terms; the Fire Department, 10.1 percent; and the Sanitation Department, 16.4 percent. Two small agencies, the Parks Department and the public library system, bore a disproportionate share of the retrenchment, shrinking by 32.5 percent and 38.6 percent, respectively. The city also managed to reduce subsidy payments to the Health and Hospitals Corporation by 18.4 percent and to cut its Transit Authority subsidy by 8.7 percent.

Counting the Employees

City employment figures vary widely, depending on whether certain public authorities are included. Health and Hospitals Corporation employees are often excluded from the city head count on the grounds that, although HHC receives city funds, it is not directly managed by the city. The same is true of the Transit Authority, a subsidiary of the state's Municipal Transportation Authority. On the other hand, teachers are invariably counted as city workers, though the Board of Education is independently managed.

At the end of fiscal 1992, New York City employed 234,108 people, not including 46,756 HHC workers or 42,663 TA employees. The Board of Education accounted for more than 35 percent of this total. Between 1980 and 1990, the city work force (again excluding the independent authorities) grew by nearly 55,000 positions, or about 30 percent. Between 1982 and 1992, personnel costs went up 39 percent in real terms, though city government employment rose only 19 percent.

Private-sector employment in New York City started declining in 1989. The city waited until fiscal 1992, however, to make significant reductions in its overall government work force. The latest figures show a net reduction of 12,450 full-time positions, or roughly 5 percent of the work force, between November 30, 1990, and November 30, 1992. The biggest cuts came in social services (3,751 jobs), education (2,272), and sanitation (1,663). Also cut

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were 1,252 positions in the Department of Housing Preservation and Development, 1,173 in the Parks Department, 1,067 in the Department of Transportation, 925 in the Department of Health, and 1,879 in various other departments. Although its budget did not grow, the Police Department added 1,565 new jobs as part of the "Safe Streets, Safe City" program.

The current round of cuts is small relative to those that followed the 1970s fiscal crisis. The number of city workers fell by about 20 percent between 1975 and 1978 and by another 6 percent between 1978 and 1980.

The average annual cost of a city employee—including salary, health insurance, pension contribution, social security taxes, and other expenses—was $61,561 in 1992. During the past two years, this total per-employee cost has risen at roughly the rate of inflation, although wage increases have amounted to only about half the inflation rate. Fringe benefits, however, rose by 9.2 percent per employee in 1992, after inflation. This mainly reflects health insurance costs, which have risen by 10 percent per year since 1983 and are expected to grow by 13 to 15 percent annually through 1996.

The Coming Budget Trouble

New York experienced a budget shortfall in 1990, as the city government began feeling the results of a declining private economy. But when Mayor Dinkins announced a $455 million budget surplus in early 1992, many New Yorkers thought the worst had passed. Two years of tax hikes, service cutbacks, and payroll reductions finally seemed to have borne fruit. Unfortunately, the turnaround was more apparent than real. The "surplus" reflected higher-than-expected revenues, especially taxes on unusually high Wall Street profits, and a one-time acceleration of state aid payments made possible by fiscal reforms undertaken in Albany.

The problems that underlay the troubles of 1990 persist and could ultimately lead to a fiscal crisis comparable to that of 1975. The city still spends more than its economic base can support, even at the current very high level of taxation. Since 1989, the recession has wiped out more than the 350,000 jobs that were added to the local economy during the 1980s boom. But city government spending, adjusted for inflation, is one-third higher now than it was in 1976.

The 1970s fiscal crisis forced large cuts in city government: Operating expenditures fell 16 percent in real terms between 1978 and 1982. The recent reductions have not approached that level of severity. In fact, total city spending grew by 4.7 percent in real terms between 1989 and 1992, while the city's economy shrank by 7 percent.

Every city experiences fiscal pressure when its economy slows. New York's problem is particularly pronounced, however, for two reasons. First, the city depends heavily on income and business taxes, which are sensitive to changes in economic conditions. Property taxes, generally the most predictable and stable local revenue source, account for only 44 percent of the city's tax base, compared with 75 percent in the average American city. And even the property tax base is threatened by the collapse of Manhattan's commercial real estate market.

Second, New York devotes far more of its budget than other cities to medical care, income support, and housing for the poor—programs that expand when the economy shrinks. As of 1986, according to a study by Steven Craig published in this journal, New York was spending 36 percent of its budget on low-income assistance. A typical Northeastern industrial city spent only 14 percent of its much smaller budget. In many cities, low-income assistance is entirely a state function.

Experts estimate that New York City's "structural deficit"—the gap between the revenues the city can count on collecting and the expenses it can count on incurring—is somewhere between $1.5 billion and $3 billion annually. The city cannot "grow" its way out of this problem, and stopgap measures such as hiring freezes, spending delays, and temporary tax hikes can only buy a bit more time. Long-term structural balance cannot be achieved without a serious reconsideration of the size and scope of city government.

To help New York's citizens and their leaders prepare for such an effort, we present this guide to the New York City budget.

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1. Department of Social Services

Spending: $6.83 billion
(19.0 percent increase, 1989-1992)

Employment: 28,890
(1.2 percent decrease, 1989-1992)

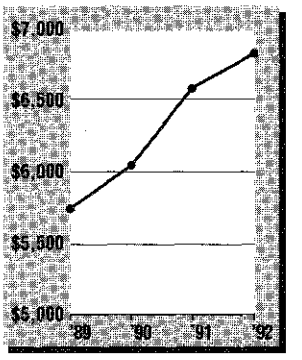
The Department of Social Services administers the city's public assistance programs, including welfare and Medicaid, as well as foster care, homeless shelters, and services for the elderly, AIDS patients, and victims of domestic violence.

In 1992, DSS spent more than any other city agency, accounting for 23.7 percent of the total general budget. Because DSS's primary mission is to transfer money directly to the poor rather than to provide services, it accounts for a much smaller share of total city employment, 12.3 percent, than of total spending. DSS spending tends to rise during periods of recession, when more people require its services. Thus, between 1989 and 1992, while the city's budget grew 4.7 percent in real terms, DSS expenditures went up by 19.0 percent.

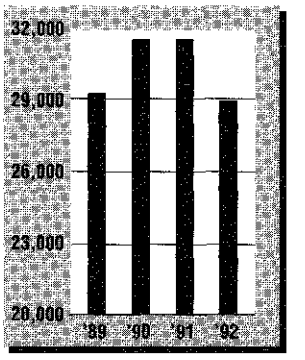
Welfare benefits account for more than 40 percent of DSS's expenditures. The city distributes $2.89 billion to one million public assistance recipients, of whom 700,000 are enrolled in Aid to Families with Dependent Children, the program for families headed by single mothers.

Approximately one-fourth of DSS spending, or $1.70 billion, goes for Medicaid benefits. (An additional $520 million in Medicaid payments to city hospitals is considered part of the city's subsidy to the Health and Hospitals Corporation.) Medicaid costs have grown rapidly: Between 1979 and 1990, they went up by 12.7 percent after adjusting for inflation, while welfare expenditures increased by only 3.4 percent. Medicaid's double-digit growth rate has resulted both from the extension of benefits to new recipients and from medical cost inflation.

SPENDING
(Millions of 1992 Dollars)



EMPLOYMENT



Welfare and Medicaid costs are far higher in New York City than in virtually any other major U.S. city, for two primary reasons. First, New York's benefit levels are more generous. Second, Albany requires the city to pay for one-fourth of all welfare and Medicaid benefits. New York is the only large city in the nation subject to such a state mandate.

In 1991, Governor Cuomo proposed a state takeover of the city's share of these costs. Under his plan, the state would gradually assume the responsibility for low-income assistance. In return, the city would transfer revenues from its personal income tax to Albany to cover the growth in state costs. Such a takeover, however, is unlikely to be feasible until the state solves its current financial difficulties.

The State Legislature has approved several Medicaid cost-containment measures, including higher copayments, elimination of coverage for some inessential services, and restrictions on home health care. The state has also mandated increased enrollment in a managed care system, under which medical providers are paid a flat fee for patient care and therefore do not have an incentive to perform unnecessary procedures. In the next year, the city plans to increase enrollment in managed care to some 137,000, about 10 percent of the city's Medicaid population. The state requires 50 percent enrollment in managed care within five years.

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2. Board of Education

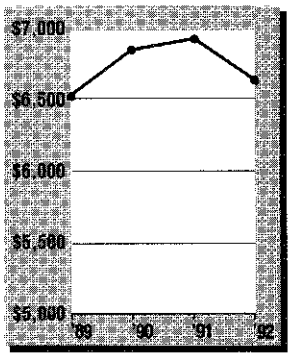
Spending: $6.63 billion
(1.8 percent increase, 1989-1992)

Total Employment: 83,863

Teachers: 76,110
(0.2 percent increase, 1989-1992)

Administrators: 7,753
(11.6 percent decrease, 1989-1992)

SPENDING
(Millions of 1992 Dollars)



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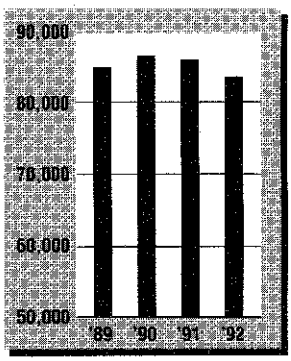

The city's public school system is the largest in the nation, with more than 960,000 students enrolled at more than one thousand elementary, intermediate, vocational, and high schools. The system is governed by a central Board of Education, whose members are appointed by the mayor and the borough presidents, and by 32 locally elected community school boards. In addition to basic classroom instruction, special and bilingual education, and vocational training, the board's budget also supports school building maintenance, transportation, and breakfast and lunch services. Of the school system's 1992 budget, 42.2 percent came from state aid, 9.5 percent from federal aid, and 48.3 percent from city tax revenues.

The central board reports that 119,000 new immigrant students entered New York City's public schools between 1989 and 1992. Net citywide enrollment increased by some 35,000 during that period, reversing the 1980s trend toward smaller student populations. While total student enrollment increased by less than 2 percent, the number of students classified as Limited English Proficient, and thus eligible for more-expensive bilingual instruction, increased by 10 percent during the 1991-92 school year.

Despite higher enrollment, the board has slowed the growth of its budget during recent years. Between 1989 and 1992, total Board of Education spending increased by only 1.8 percent after inflation, versus a 16.5 percent real rise between 1986 and 1989. Spending per pupil fell from $7,029 in 1989 to $6,891 in 1992, after having risen from $4,965 since 1983. (All dollar amounts are in 1992 dollars.) The board cut its administrative staff by more than one thousand people and its spending for central administration by 18.1 percent between 1989 and 1992.

Among the fastest-growing components of the board's spending is special education, driven by expensive state mandates. Special education was originally intended for handicapped students, but today most of those enrolled are classified as "learning disabled" or "emotionally disturbed." In the last 12 years, special education enrollment has risen from 49,000 to 120,000. Between 1989 and 1992 alone, the special education budget rose by 12.7 percent after inflation, to $1.07 billion; during the same period, total expenditures on regular classroom instruction declined by 8.4 percent in real terms.

Though the Board of Education receives city funds, it is not directly managed by the city's Office of Management and Budget. This gives the board a degree of fiscal autonomy not enjoyed by mayoral agencies. Moreover, under the Stavisky-Goodman Act, a 1976 state law, the city's appropriation to the Board of Education in a given year must be at least as high a proportion of the city's budget as in the

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previous year, unless the board requests a smaller appropriation.

The board's independence has led to tensions with the city. The board, for example, says the city routinely underfunds many areas of the school budget and diverts state education aid to other city functions. The city has acknowledged, in effect, using some $67 million in state education funds to close its fiscal 1993 budget gap.

The city, for its part, has criticized the board for failing to achieve promised productivity enhancements, underestimating future state and federal funding, and concealing the amount of such aid when received. The comptroller's office confirmed, for example, that the board failed to acknowledge $91 million in federal Chapter I money for disadvantaged students that it received in fiscal 1992, moving the funds instead to fiscal 1993.

City and board officials have criticized the state for favoring suburban districts in the formula it uses to allocate education aid money. The formula uses attendance rather than enrollment as the basis for allocating money, in effect punishing the city for its higher-than-average student absentee rate. As a result, with 37 percent of the state's public school students (and a disproportionate share of the disadvantaged), New York City is scheduled to receive only 34.7 percent of the state's education aid in fiscal 1993. A proportionate distribution would have meant an additional $185 million.

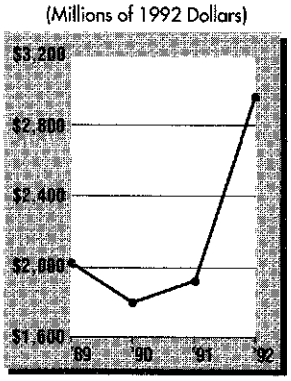
On the other hand, state aid to the city schools rose far more quickly during the 1980s than did the city's contribution. Had city aid grown as quickly (in nominal terms) as state aid between 1982 and 1993, the board's fiscal 1993 budget would be $1.4 billion higher than it is.

3. Debt Service

Spending: $2.97 billion
(47.7 percent increase, 1989-1992)

Gross City Debt: $25.04 billion
(22.8 percent increase, 1989-1992)

SPENDING
(Millions of 1992 Dollars)



Debt service, payments on the city's bonds, is the fastest-growing city expense. It accounted for nearly three-fourths of the real net increase in city spending between 1989 and 1992. The share of general fund spending devoted to debt service rose from 7.2 percent in 1989 to 10.2 percent in 1992.

Debt service costs are determined by the amount of city debt outstanding, the interest rate at which the money was borrowed, and the time at which bond payments come due. The city is legally forbidden to go into debt to pay operating expenses; it can sell bonds only to finance capital projects. New York City is unique in the nation, however, in the range of projects it finances through the capital budget. In most cities, capital projects are limited to basic infrastructure facilities such as roads and water systems, but New York also spends large capital sums on such things as hospitals, housing, and schools. Indeed, it spends more capital funds on housing than all other U.S. cities combined. New York's total annual capital spending amounts to $533 per resident, more than any other city in the nation and well above the $256 per person the average U.S. city spends.

During the 1980s, while the city embarked on an ambitious capital program, the share of city rev-

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enues claimed by debt service actually fell by half. The decline, however, was temporary. There is a lag between the start of a project and the time when the first payment comes due on the bonds that finance it. Moreover, as the city was increasing its capital spending, it was also using various gimmicks to push debt service costs further into the future. The decline in debt service expenses enabled the city to increase its commitment to other programs in its general budget, exacerbating the current budget problems.

Among the methods the city used to defer its debt service expenses was the refunding of bonds in order to defer principal payments to later years. In many cases, such refunding is a prudent financial technique, akin to refinancing a mortgage: The city pays off a bond issue with money raised by selling new bonds at a lower interest rate. In some cases, however, the city has refunded debt by selling bonds with longer periods of maturity and different payment patterns. The total cost of paying off the new bonds will actually be higher than that of the bonds they replaced.

The city also employed various "one-shot" schemes, including one in which the Battery Park City Authority sold bonds to provide the city with $150 million to cover current expenses. The $150 million represented the present value of future authority revenues that would have gone to the city. Debt service expenses on the bonds will reduce the future revenues that the authority can make available to the city by $421 million.

Another way of deferring debt service costs is to capitalize interest payments. That is, when financing a project, the city will sell enough additional bonds to cover the first few years' debt service payments. This practice saves on debt service costs in the short run ($37 million in fiscal 1994, according to an estimate by the city comptroller's office), but only at the cost of putting the city deeper into debt and increasing long-term expenses.

Under pressure from bond-rating agencies, the comptroller, and the state's Financial Control Board, the city has discontinued many of its practices aimed at pushing debt service costs to future years. The sharp rise in debt service costs in 1992 reflects this.

The prospect of ballooning debt service costs forced Mayor Dinkins to cut the city's capital budget by some 16 percent beginning in fiscal 1993. Capital spending on housing construction was cut by 17 percent; on jails, by 43 percent; and on hospitals, by 46 percent. Not affected was capital spending on bridge reconstruction, courts, libraries, and cultural institutions. The city now expects to spend $2 billion less on capital projects between 1993 and 1996 than it had projected in its financial plan. The result is an expected reduction of $250 million in projected debt service costs for 1996.

4. Police Department

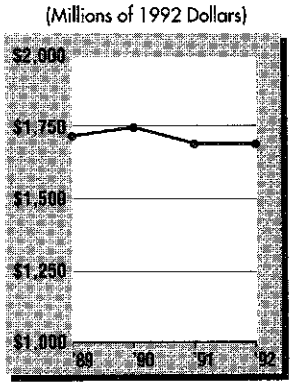
Spending: $1.69 billion
(1.5 percent decrease, 1989-1992)

Total Employment: 34,217

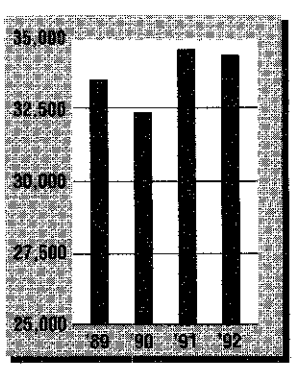
Uniformed: 27,306
(3.8 percent increase, 1989-1992)

Civilian: 6,911
(2.8 percent decrease, 1989-1992)

SPENDING
(Millions of 1992 Dollars)



EMPLOYMENT



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The New York Police Department (NYPD) accounted for 5.8 percent of the general budget in 1992. Although its uniformed force has increased by about a thousand officers since 1989, its budget has declined slightly in real terms.

The number of uniformed NYPD officers took a big dip during the fiscal crisis of the 1970s, but since 1983 the number has been climbing toward its 1975 level of 30,552. As of December 31, 1992, it stood at 28,637, and it is expected to grow to 30,176 in summer 1993 with the next graduating class of the Police Academy.

Mayor Dinkins's "Safe Streets, Safe City" program is largely responsible for the fact that the NYPD has been spared the brunt of the city's budget cuts in recent years. Safe Streets aims at an increase in police presence on the streets of New York.

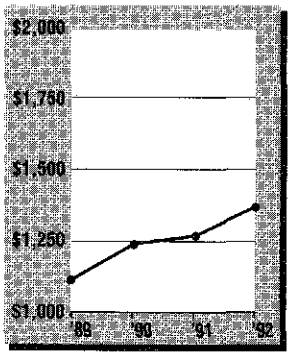
Originally, the Safe Streets program planned to redeploy officers from administrative jobs to street patrol by hiring new, less expensive civilian employees to take their place. This "civilianization" process has moved slowly, however. Safe Streets planned to replace 1,525 officers with civilians by the end of fiscal 1994, but only 323 officers had been replaced by the end of fiscal 1992. The City Council approved the hiring of nine hundred additional civilians in fiscal 1993, but in January 1993—halfway through the fiscal year—only about 150 had been added. Moreover, since the Safe Streets program was launched, the NYPD has actually increased its use of uniformed officers in administrative posts, according to the Citizens Budget Commission.

The slow progress of the civilianization effort is explained by a memo of understanding signed in early 1991 by Governor Cuomo, Mayor Dinkins, and legislative leaders in Albany and city hall. The memo committed the city to increase its uniformed head count in exchange for state approval to raise taxes to pay for the Safe Streets program. The memo, however, did not require that the city increase the number of officers on patrol duty. The agreement thus provided no financial incentive for the city to redeploy police to street patrol or replace uniformed officers in desk jobs with civilians. As a result, the entire increase in street patrol has come from new uniformed hires—one of the most expensive ways to beef up police presence.

5. Fringe Benefits

Spending: $1.38 billion
(22.3 percent increase, 1989-1992)

SPENDING
(Millions of 1992 Dollars)



The fringe benefits category includes health insurance, workers' compensation, the employer's share of the Social Security tax, and other benefits for city employees.

While city wages have grown at less than the rate of inflation for the past few years, fringe benefit costs have exploded, more than doubling after inflation between 1983 and 1992. From 2.9 percent of the general fund ten years ago, this category now accounts for nearly 5 percent of all city spending and more than 10 percent of all personnel costs.

Not all fringe benefit costs are classified in this category; in particular, it omits $740 million in benefits for employees of the Board of Education, which are included in the Board's budget. In 1992, the total cost to the city of all fringe benefits was $2.37 billion. Health insurance accounted for $1.40 billion, or 59 percent, of this total. Social Security contributions consumed another $756 million, or nearly one-third of the total. Workers' compensation insurance accounted for $70 million.

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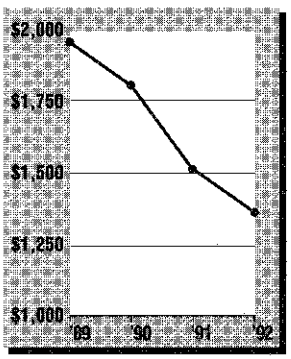
Contracts between the city and most of its labor unions require the city to provide a fixed health care benefit package at no charge to its employees. As a result, the city has little or no control over health insurance costs: It simply pays the annual per capita contribution amounts required for comprehensive coverage by the Health Insurance Plan of New York (HIP). Most private employers, in contrast, have been able to control their health insurance costs by offering plans that require copayments by the employees or by reducing the level of coverage.

Workers' compensation costs are expected to rise by as much as 20 percent annually for the next few years due to recent state legislation increasing the benefits disabled workers receive for lost wages.

6. Pensions

Spending: $1.37 billion
(30.5 percent decrease, 1989-1992)

SPENDING
(Millions of 1992 Dollars)



The pension category reflects contributions made by the city to the trust fund that will pay the pensions of current city employees. Pensions are one of the few budget expenses that have declined substantially in recent years. Two factors explain this. First, an increasing proportion of city employees are covered by the less expensive plans created in the wake of the 1975 fiscal crisis. Second, the city has increased the projected earnings of its pension fund investments, thus reducing the required contribution. Actual earnings have exceeded the city's earlier projections.

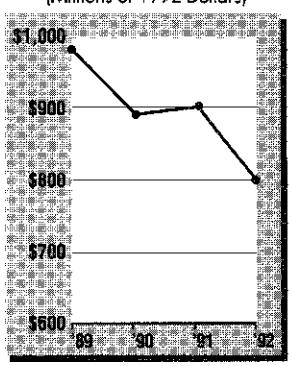
The higher rate of return on pension fund investments is expected to save the city more than $200 million per year over the next five years. The city has used some of these funds to finance permanent wage hikes for its employees. But the savings will virtually disappear by 1996, at which time the city will have to find new revenues to fund the higher salaries. There is also a danger that the city's projections of future earnings will prove to be overly optimistic, leading it to underfund pensions.

7. Health and Hospitals Corporation

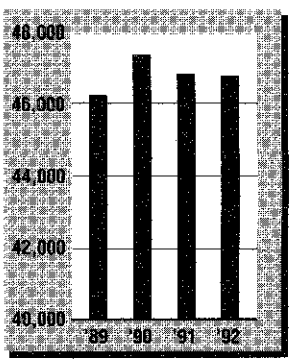
City Subsidy: $797 million
(18.4 percent decrease, 1989-1992)

Employment: 46,756
(1.1 percent increase, 1989-1992)

SUBSIDY
(Millions of 1992 Dollars)



EMPLOYMENT



The Health and Hospitals Corporation runs a system of 11 acute-care hospitals, five nursing homes, a network of neighborhood health centers, and the Emergency Medical Service. It manages one in four long-term hospital beds in New York City and 6

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percent of the city's nursing home beds. New York is the only U.S. city with its own network of public hospitals; elsewhere, public hospitals are primarily a state or county function.

HHC is an independent authority, with a budget of some $3 billion, but it receives a large subsidy from the city, the bulk of which ($520 million) is in the form of Medicaid payments. HHC employees are not counted in overall city head count figures.

HHC facilities accept all patients regardless of ability to pay, and are generally considered the medical provider of last resort for the city's poor. Thus, the HHC budget is under pressure from many sources. A weak city economy has increased the percentage of HHC's caseload financed by Medicaid; because Medicaid reimbursement rates do not cover all costs, this shift has increased HHC's operating deficit. In addition, HHC must treat an increasing number of indigent patients suffering from AIDS, tuberculosis, drug abuse, and mental illness.

Nevertheless, in recent years HHC has achieved record revenue collections while lowering administrative costs. As a result, the share of total HHC expenses covered by general fund transfers declined from 33.6 percent in 1989 to 22.8 percent in 1992.

The city's subsidy to HHC is expected to grow by about 5 percent in 1993, in part to pay for the cost of starting managed care programs for Medicaid recipients and Communicare, the mayor's plan for community-based clinics. By cutting down on the use of expensive emergency room care, both initiatives are expected to reduce hospital costs in the long term.

8. Department of Correction

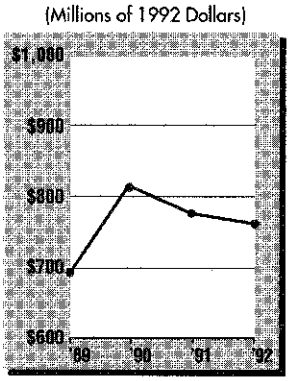
Spending: $761 million
(9.7 percent increase, 1989-1992)

Total Employment: 13,854

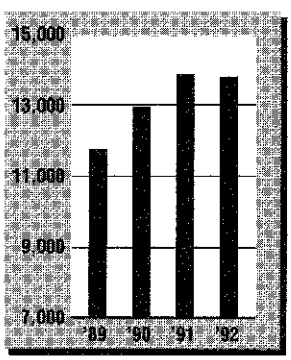
Uniformed: 11,820
(20.0 percent increase, 1989-1992)

Civilian: 2,034
(6.2 percent increase, 1989-1992)

SPENDING
(Millions of 1992 Dollars)



EMPLOYMENT



The Department of Correction operates 18 city jails, four hospital prison wards, and court detention space. City jails are used to house inmates serving sentences for misdemeanor convictions and defendants awaiting trial; convicted felons are held in state prisons.

Correction Department employment more than doubled between 1983 and 1992 and continued growing even during the recent budget problems. This was necessary in order to keep up with the growth in the city jail population: The number of inmates on the average day went up from 9,948 in 1983 to 17,439 in 1989 and 21,449 in 1992.

The increase is partly the result of a severe backlog in the court system: The average length of time defendants spend in jail awaiting trial rose from 41 days in 1989 to 52 in 1992. Reforms aimed at making the courts more efficient have already reduced the city's inmate population and are expect-

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ed to bring the average length of stay down to the 1989 level by 1996.

The city has also been forced to house inmates awaiting transfer to overcrowded state prisons. Under a recent court order, however, the state cannot require the city to hold state-ready inmates for more than ten days. This enabled the city to close two upstate jails that the state had been operating for the city.

These administrative and legal initiatives are expected to permit a 5 percent reduction in Correction Department expenditures in fiscal 1993, as well as a small reduction in department employment.

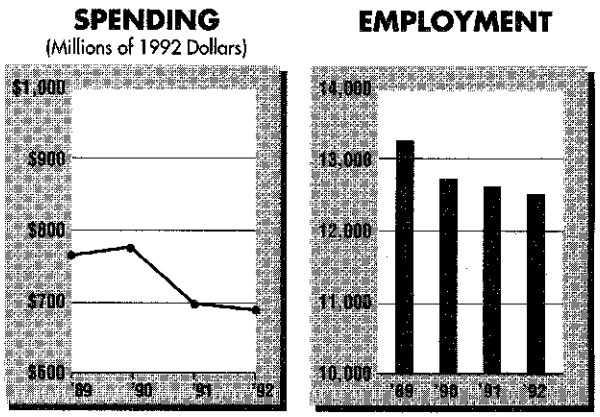
9. Fire Department

Spending: $688 million
(10.1 percent decrease, 1989-1992)

Total Employment: 12,571

Uniformed: 11,379
(5.7 percent decrease, 1989-1992)

Civilian: 1,192
(4.5 percent decrease, 1989-1992)



The Fire Department of New York (FDNY) is responsible for protecting lives and property from fire, responding to other emergencies, and investigating suspicious fires. The department's budget has been cut considerably in recent years, declining by 10.1 percent in real terms between 1989 and 1992. The city did, however, increase the FDNY's allocation of capital funds from $20 million to $40 million in 1992, in part to pay for new vehicles and firefighting equipment.

The ratio of Fire Department spending to the number of emergency calls to which the department responds has been declining steadily since 1983. But the department's emergency response time remains far faster than that of other city emergency teams, including the Police Department's Emergency Response Unit and the Health and Hospitals Corporation's Emergency Medical Services. In 1992, for example, EMS ambulances took an average of 8 minutes and 21 seconds to respond to calls, while the Fire Department averaged less than five minutes. Proposals to train firefighters in emergency medical techniques have been stalled in negotiations with the firefighters' union, which argues that such techniques would constitute an additional skill for which workers should be compensated.

The Citizens Budget Commission has recommended that the Fire Department rely more on small, inexpensive fire trucks rather than the large vehicles used to fight building fires. The number of such fires has been declining steadily over the past twenty years; they currently account for less than 8 percent of the department's emergency responses. The bulk of the department's emergency responses are false alarms (43 percent), nonfire emergencies (31 percent), and nonstructural fires (18 percent), including fires in cars, boats, and vacant lots.

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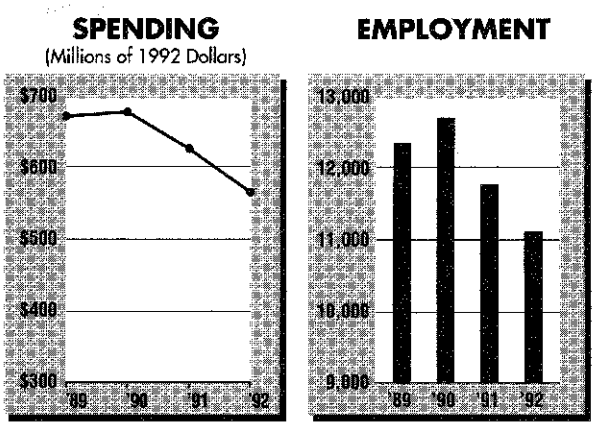
10. Department of Sanitation

Spending: $564 million
(16.4 percent decrease, 1989-1992)

Total Employment: 11,096

Uniformed: 7,782
(8.4 percent decrease, 1989-1992)

Civilian: 3,314
(14.2 percent decrease, 1989-1992)



The Department of Sanitation is charged with collecting and disposing of solid waste, collecting and processing recyclables, cleaning the streets, removing snow, and enforcing the city's health and administrative codes. Cleaning and collection accounted for 58 percent of the department's 1992 budget.

Though the sanitation budget has been cut considerably in recent years, there is evidence that worker productivity has declined. In 1982, the city and the sanitation union agreed to a reduction from three workers to two on each Sanitation Department truck, in exchange for a daily productivity bonus for each of the two. But the productivity gains from this measure have subsequently been eroded since the city started its curbside recycling program in 1986. As more garbage is recycled, the amount of ordinary trash has declined; in some areas, sanitation crews can complete their routes in far less than the allotted six hours.

The sanitation union contract bars the city from transferring sanitation workers from regular refuse collection to recycling duties. Partly as a result of this provision, the recycling program has not been implemented as quickly as had been hoped. The city had planned to expand curbside recycling from 26 to 40 community districts in 1991, but participation only increased to 29 districts. Moreover, the hoped-for market for recycled goods has not materialized: The city actually has to pay carters to take certain types of refuse away.

In January 1993, the city reached an agreement with the sanitation union to give workers a 3.5 percent raise plus a bonus for lengthening routes to offset the lighter trash collections. In effect, the city will pay sanitation workers an extra $900 per year to work the same hours they worked before recycling.

During the next decade, the city will face large expenses for building waste-disposal facilities. The Fresh Kills landfill, where the city dumps some 14,000 tons of trash each day, will reach the limits of its capacity within the next twenty years. The city also operates three incinerators, which burn 1,100 tons of trash per day. In August 1992, the city adopted a Solid Waste Management Plan that calls for two of the three incinerators to be closed by 1995, for the third to burn 750 tons daily, and for the construction of a new, modern incinerator at the Brooklyn Naval Yard that will burn three thousand tons a day beginning in 1999.

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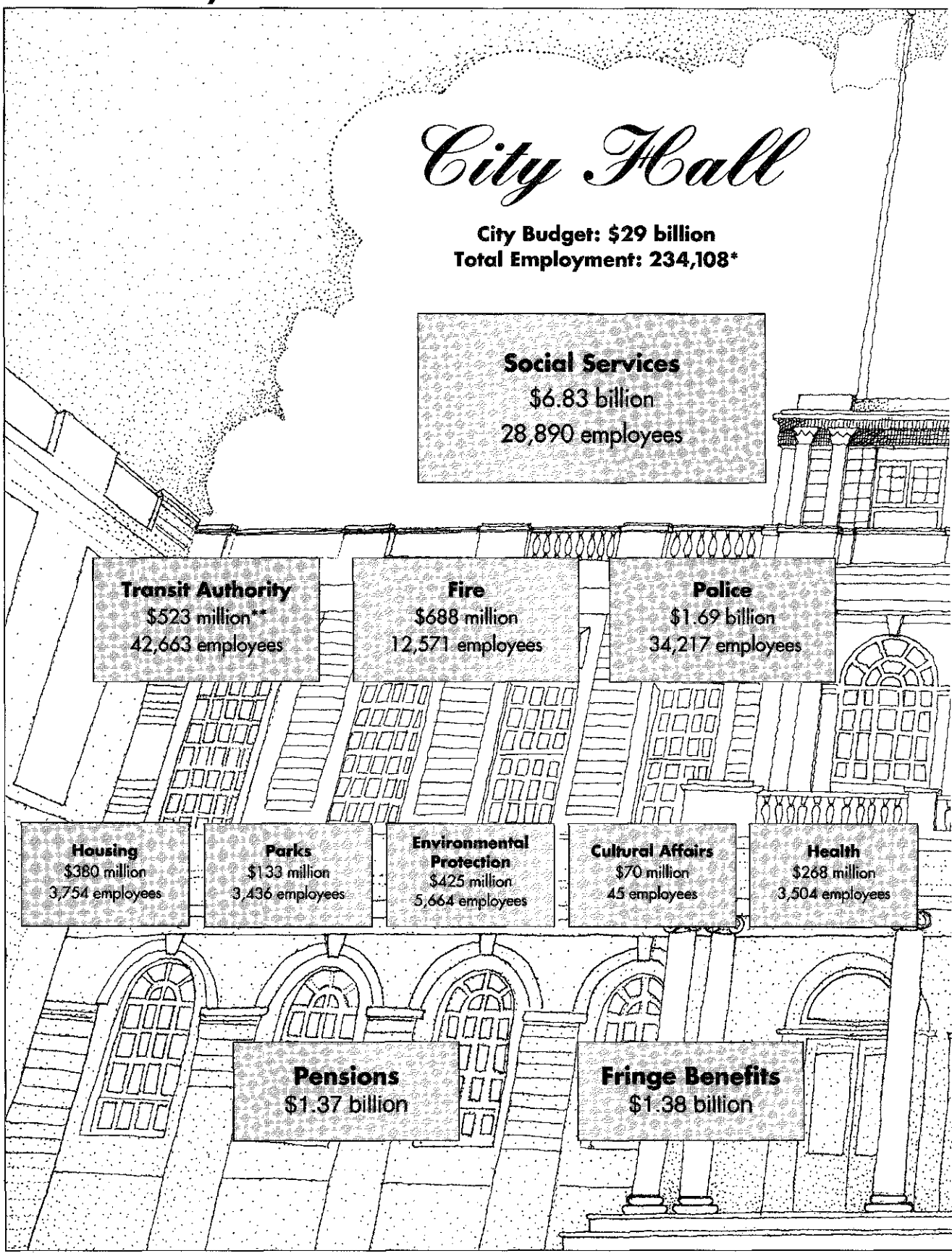
Where the Money Goes



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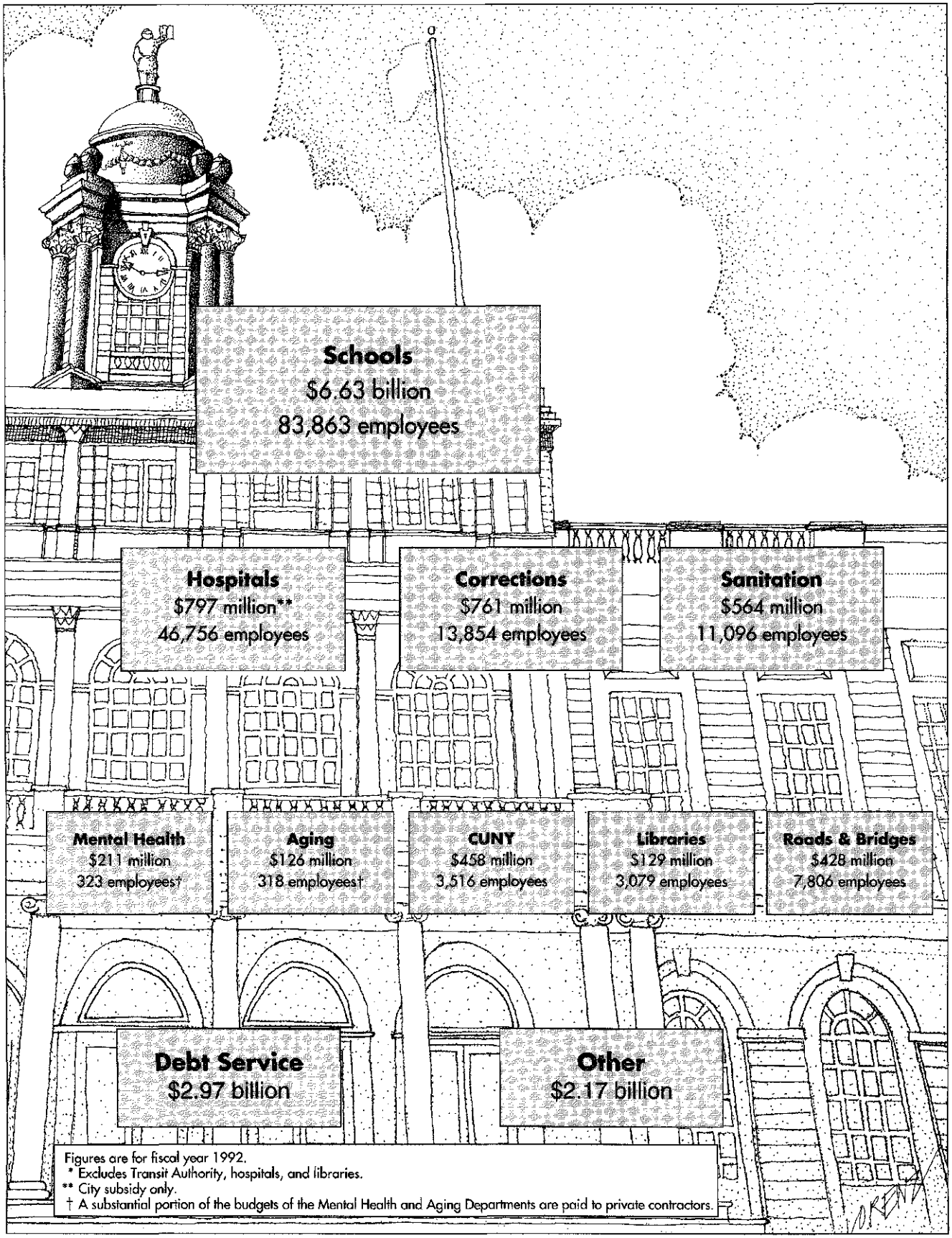

Figures are for fiscal year 1992.
* Excludes Transit Authority, hospitals, and libraries.
** City subsidy only.
† A substantial portion of the budgets of the Mental Health and Aging Departments are paid to private contractors.

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11. Transit Authority

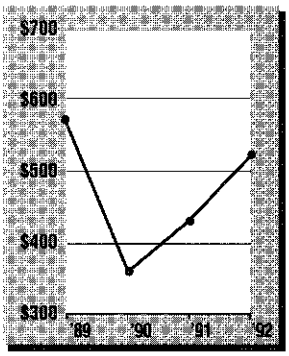
City Subsidy: $523 million
(8.7 percent decrease, 1989-1992)

Employment: 42,663
(5.5 percent decrease, 1989-1992)

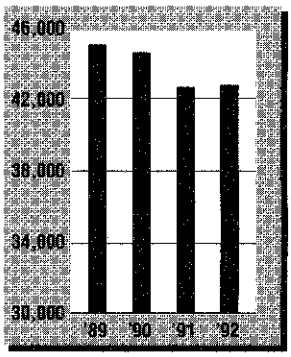
The New York City Transit Authority (TA) operates one of the largest public transit systems in the world. Running 24 hours a day, every day, the system carried about a billion subway riders and 500 million bus riders in 1991.

The TA is a subsidiary of the Metropolitan Transit Authority (MTA), a state-level public authority. The MTA coordinates mass-transit services in the city and sets priorities and spending levels of the TA's capital budget. The city plays little direct role in the governance and funding of TA operations; its financial aid to the TA is limited to matching the operating assistance provided by Albany and to subsidizing certain expenses, including fare discounts for students and senior citizens and the costs of the Transit Police. The city is under no obligation to close TA budget gaps.

SUBSIDY
(Millions of 1992 Dollars)



EMPLOYMENT



The TA's total budget was $3.5 billion in calendar year 1992, of which 17 percent came from the city subsidy, 46 percent from fares, 8 percent from federal and state aid, and 15 percent from special MTA taxes such as surcharges on telephone bills. The TA employs more than 42,000, including the Transit Police and engineering personnel, more than any local government entity except the Board of Education and the Health and Hospitals Corporation. Its employees are not included in total city head count figures.

12. City University of New York

Total Spending: $458 million

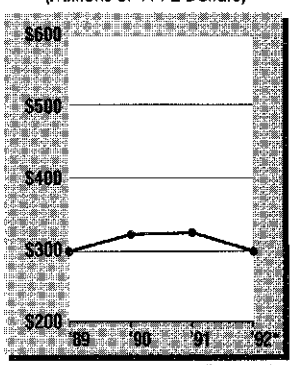
Spending on Community Colleges: $299 million
(0.7 percent decrease, 1989-1992)

Total Employment: 3,516

Faculty: 2,359
(10.5 percent decrease, 1989-1992)

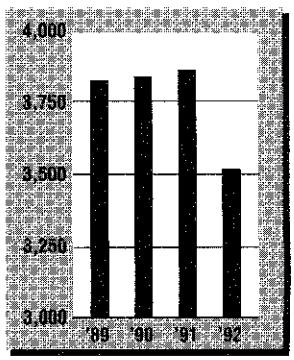
Administrators: 1,157
(3.0 percent decrease, 1989-1992)

SPENDING
(Millions of 1992 Dollars)



* Community colleges only.

EMPLOYMENT



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The City University of New York (CUNY) system comprises nine senior colleges, seven community colleges, a technical college, the Graduate Center, a law school, an affiliated medical school, and the Hunter Campus elementary and high school. Financial responsibility for the senior colleges has rested with Albany since 1979, but local governments are fiscally responsible for all community colleges in the state.

New York City's community college expenditures were $299 million in 1992, about one-third of which came from state aid. No other U.S. city has a college system of comparable size; higher education is almost universally considered a state function. Indeed, as of 1990, the only other cities that funded higher education at all were Washington, D.C., which is not within a state, and Philadelphia, which spent a modest $16 million.

Because of an accounting change, the city's expenditures on CUNY shot up 41.8 percent after inflation between 1991 and 1992. The entire increase resulted from the state's passing $152 million through the city budget to the senior colleges.

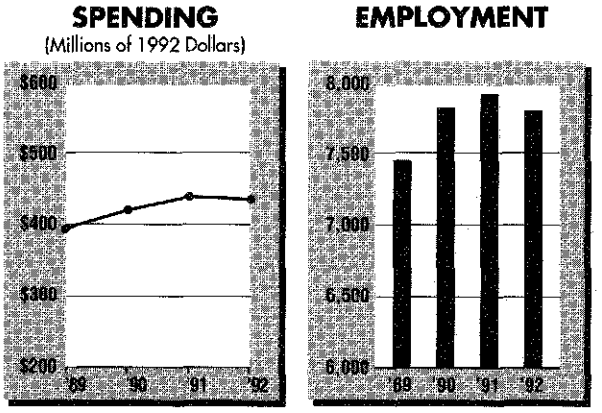
Community college funding declined slightly between 1989 and 1992, even as enrollment rose from 32,383 students to 38,237. The city has been aggressively cutting its expenditures on the CUNY system. Since fiscal 1992 a hiring freeze has been in effect for all nonteaching personnel, and spending on such things as library acquisitions, laboratory and scientific equipment, and office and cleaning supplies has also been curtailed.

An increasing share of community college costs has been covered by tuition, which went up from $1,225 to $1,450 a year in January 1991, to $1,750 in August 1991, and to $2,100 in July 1992. The state's 1993 budget authorized another $500-a-year tuition hike and eliminated all legal barriers to future increases. As a result, the proportion of the community college budget covered by tuition has risen from 22 percent in 1989 to 40 percent in 1993, while the share paid for by city taxes declined from 43 to 24 percent during the same period.

13. Department of Transportation

Spending: $428 million
(8.4 percent increase, 1989-1992)

Employment: 7,806
(4.9 percent increase, 1989-1992)



The Department of Transportation (DOT) is responsible for maintaining and regulating the city's roads, highways, and bridges. It also operates the Staten Island Ferry, regulates private bus companies, and manages city subsidies to the bus companies. (These subsidies, which are not considered part of the DOT budget, amounted to $94 million in 1992.)

The Bureau of Traffic Operations enforces traffic laws; maintains traffic signs, signals, and streetlights; and maintains and collects revenues from parking meters and municipal garages. The Bureau of Highway Operations is responsible for resurfacing and repairing city streets and highways.

The Bureau of Bridges is in charge of the operation, maintenance, and repair of New York City's 880 bridges and tunnels (except toll facilities under the jurisdiction of the Triborough Bridge and Tunnel Authority or the Port Authority). The bureau's 1993 operating budget is $65 million, but it plans to spend $3.4 billion in capital funds over the next ten years,

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essentially rebuilding the four East River bridges by 1998 at a cost of $977 million, and reconstructing 235 bridge structures whose condition is rated "poor" or "fair" at a cost of $1.6 billion.

Capital expenditures are subsidized by the Federal Government, so the city has an incentive to prefer such reconstruction to preventive maintenance. This policy is expensive, however. Department of Transportation studies show the cost of rebuilding a bridge is many times higher than the cost of maintaining a bridge optimally over its useful life.

One example is the Honeywell Bridge, which crosses over the Sunnyside tracks in Queens. The bridge was allowed to deteriorate until it was closed in 1978. It was still closed in 1990, when an inspection revealed that it was in danger of collapsing under its own weight. Some $50 million was spent shoring up the bridge, which had deteriorated so badly that it could not be rehabilitated. Preventive maintenance would have kept the bridge in operation and saved the city the cost of the recent emergency work.

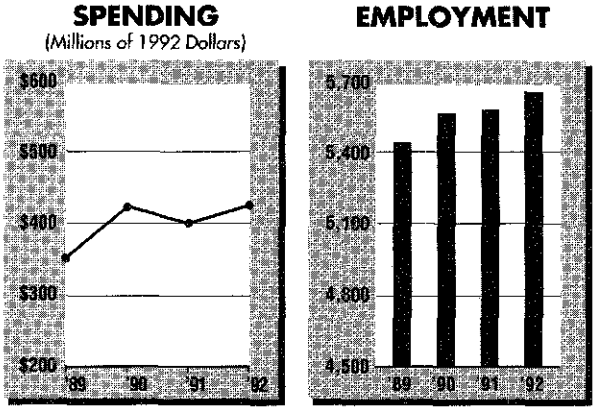
The Parking Violations Bureau (PVB) accounted for $51 million of DOT's expenses in 1992, while generating $277 million in revenues from fines. The city has requested proposals for privatizing PVB and is also urging the state to eliminate certain DOT mandates, including the requirement that vehicle body type and license plate expiration date information appear on parking summonses (saving an estimated $1.5 million in fines that the city cannot now collect), and the requirement that scofflaws be notified by certified mail (saving $250,000).

The city's 1993 budget forecasts a $22 million reduction in DOT spending, achieved in part by consolidating all scofflaw towing in the Office of the City Sheriff. The city currently tows 140,000 vehicles annually through three programs involving DOT, the city marshals, and the city sheriff.

14. Department of Environmental Protection

Spending: $425 million
(19.7 percent increase, 1989-1992)

Employment: 5,664
(3.9 percent increase, 1989-1992)



The Department of Environmental Protection (DEP) manages the city's upstate water supply and the aqueducts, water tunnels, and 5,800 miles of water mains used to distribute water to New York City residents. The department manages the sewer system, including 14 sewage treatment plants, and disposes of sewage sludge. DEP also enforces federal and state regulations dealing with air pollution, water quality, hazardous waste removal, and wetlands, as well as the city's noise code.

The increasing emphasis on environmental issues at all levels of government is reflected in DEP's employee head count, which rose by 1,438 positions, or 34 percent, between 1983 and 1992.

Until 1992, the city dumped its sludge about a hundred miles offshore in the Atlantic Ocean, at a cost of $10 million to $20 million per year, plus a $50 million federal fine for violating regulations designed to discourage ocean dumping. As of June 1992, the Federal Government banned such dumping outright. The DEP has contracted to have sludge hauled to disposal sites in several states in the Midwest, South, and West, at a projected cost of $125 million in fiscal 1993. By 1998, however, the city plans to build four local facilities for sludge disposal.

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15. Department of Housing Preservation and Development

Spending: $380 million
(26.8 percent decrease, 1989-1992)

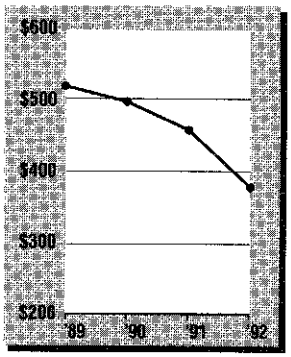
Employment: 3,754
(21.0 percent decrease, 1989-1992)

The main responsibility of the Department of Housing Preservation and Development (HPD) is to manage and rehabilitate city-owned housing acquired *in rem* (through property tax foreclosure). Other HPD offices enforce the Housing Code, stimulate the construction of new homes and apartments, and litigate on behalf of tenants in the city's Housing Court.

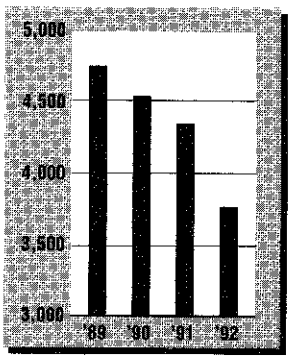
The largest component of HPD's budget, accounting for 64 percent of the total in 1992, is the Office of Property Management, which currently maintains 31,400 occupied residential and commercial units in apartment buildings, 1,500 occupied one- and two-family homes, and 23,000 vacant housing units. The recent cuts in HPD's budget reflect, among other things, a reduction in the number of vacant housing units under city management, which had been as high as 56,000 at the end of fiscal 1987.

HPD's Division of Alternative Management is charged with arranging the transfer of city-owned buildings to private hands. It is expected to dispose of almost 2,700 units this year, resulting in a net decrease of 500 units under city ownership.

SPENDING
(Millions of 1992 Dollars)



EMPLOYMENT



New York is unique in spending substantial sums on what had been private housing. Some cities do not take *in rem* properties at all. Cook County (Chicago), for example, uses a tax sale auction program, in which buyers bid to purchase the right to the taxes owed on a property. If the original owner does not pay all back taxes and interest to the successful bidder within a specified period, the tax purchaser takes ownership of the property. Under this arrangement, Cook County realizes at least a portion of its uncollected property taxes and avoids the cost of maintaining the properties, which remain in private control and on the tax rolls. In New York, by contrast, most owners to whom *in rem* properties are transferred are nonprofit organizations that are exempt from property taxes.

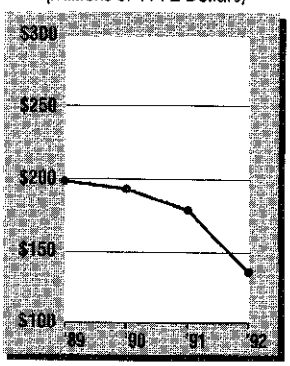
20. Department of Parks and Recreation

Spending: $133 million
(32.5 percent decrease, 1989-1992)

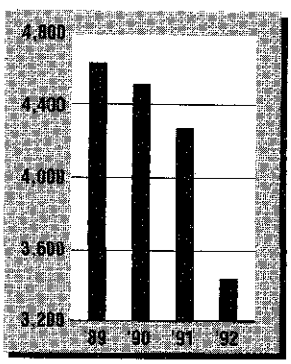
Employment: 3,436
(25.7 percent decrease, 1989-1992)

The Department of Parks and Recreation oversees New York City's 26,000 acres of developed, natural, and undeveloped parkland, as well as stadiums, recreation centers, tennis courts, golf courses, public beaches, and swimming pools. It conducts a vari-

SPENDING
(Millions of 1992 Dollars)



EMPLOYMENT



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ety of programs in athletics, physical fitness, environmental education, visual and performing arts, and crafts.

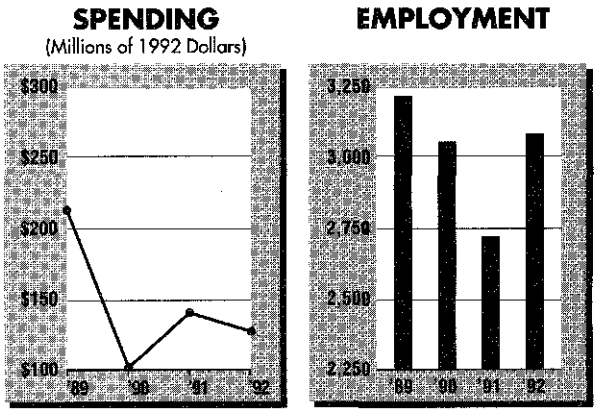
The Parks Department has been one of those hit hardest by the recent budget cuts. But it has been one of the most innovative agencies in the city in reducing bureaucracy and giving workers more responsibility and autonomy. For example, an agreement with the union representing Forestry Division employees allows work crews to develop their own work strategies, routes, and schedules, giving them more flexibility in carrying out their duties and responding to problems.

Private foundations such as the Central Park Conservancy, the City Parks Fund, and the Prospect Park Alliance are increasingly involved in maintaining the city parks, independently of the Department of Parks and Recreation. Between 1990 and 1992, such groups spent an estimated $55 million maintaining and improving city parks. In addition, some philanthropists donate money directly to the Parks Department. Such funds amount to roughly $3 million in the typical year, but in fiscal 1993 the total rose to $5 million, reflecting $2 million donated by the Sol Goldman Trust to keep municipal swimming pools open.

21. Libraries

Spending: $129 million
(38.6 percent decrease, 1989-1992)

Employment: 3,079
(4.4 percent decrease, 1989-1992)



The library budget funds three independently operated public library systems, each administered by its own board of trustees. The New York Public Library operates 34 branches in the Bronx, 37 in Manhattan, and 11 on Staten Island. The Brooklyn Public Library comprises a central library and 59 branches, and the Queens Public Library has a central library and 62 branches. Because the library systems are not considered a city agency, their workers are not counted in total city employment figures.

The New York Public Library also oversees four research libraries: the Central Library at Fifth Avenue and 42nd Street, the Lincoln Center Library for the Performing Arts, the Annex on 43rd Street, and the Schomburg Center for Research in Black Culture in Harlem.

The New York Public Library system received $52 million from the city in 1992; the Brooklyn and Queens systems, just under $33 million and $36 million, respectively. The research libraries got a total of $8.5 million, which accounted for only about 20 percent of their budgets; the rest came from the federal and state governments, private donations, and investment income from the libraries' endowments.

The library system suffered some of the harshest cutbacks of any city function during the recent fiscal troubles. As a result, many of the branch libraries had their operation cut to between two and four days a week. However, the fiscal 1993 budget allocates an additional $7.8 million to restore five-day-a-week service, and in his 1994 financial plan, Mayor Dinkins proposes an additional $15.2 million to expand service to six days a week. ■

Research assistance for this article was provided by Greg Bartels.

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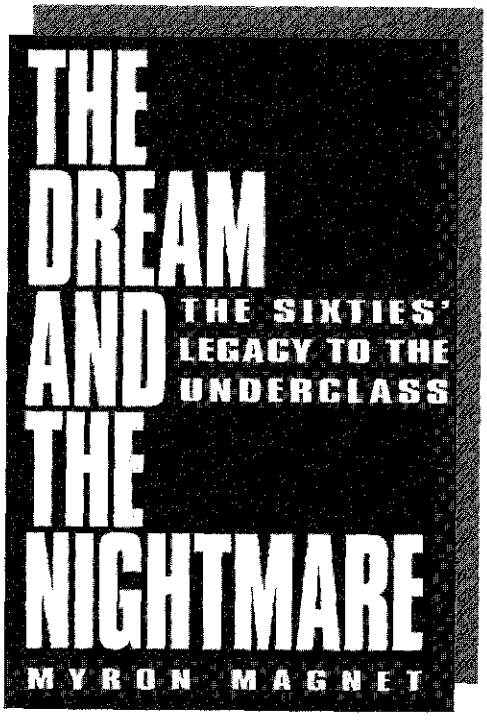
THE DREAM AND THE NIGHTMARE

THE SIXTIES' LEGACY TO THE UNDERCLASS

MYRON MAGNET



In this original and provocative book, Myron Magnet argues that by telling the underclasses they are powerless victims of a corrupt society and that criminal acts are justified rebellion, the misguided pundits of the 1960s cultural revolution have erased the standards that are essential to striving and accomplishment and caused the high rate of poverty and underachievement in America today.

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Navigating the Nineties: The Economic Realities Facing New York

Charles R. Morris

The city's economic downturn and the declining real estate market raise the strong possibility of a severe fiscal crisis within the next few years. The city cannot count on a Wall Street boom to bring about a recovery as it did in the 1980s. Therefore, it is urgent that New York reform its government in order to ensure future economic growth.

For most of the twentieth century, New York City's financial history has been a cycle of boom and bust. During prosperous times, city spending surges, as it did during the 1960s and again in the 1980s. The 1960s spending surge set the stage for the prolonged fiscal crisis of the mid-1970s. And predictably, with the downturn of the economy since 1989, there are signs that the city is headed for the fiscal rocks once again. Indeed, without a sharp reversal of its budget priorities and spending habits, the city's financial problems are likely to become extremely severe. To make matters worse, the midtown Manhattan office market and the financial services industry, both of which fueled the city's last two recoveries, will not be of much help this time.

One beneficial consequence of the 1975 fiscal crisis is that city financial reporting is now generally clear and forthright. Budget gimmicks like those the state so shamelessly indulges in are no longer possible in the city. The state, for example, recently raised cash by, in effect, selling highways to itself; in the old days, the city was even more brazen, selling bonds and notes secured by fictional federal aid receipts.

On the surface, the city's recent financial performance appears to have been commendable. The fiscal year ending this June will mark the 13th consecutive year that the budget has been in balance. From the mid-1980s until the current fiscal year, when both revenues and expenditures declined, the budget grew at a steady pace of slightly more than 6 percent a year, somewhat faster than the rate of inflation. Total city revenues grew steadily, from $21.9 billion (in nominal dollars) in 1987 to $24.4 billion in 1989. Despite the recession, revenues continued to increase, to $28 billion in 1991. While the city's debt has grown almost twice as fast as its budget, total outstanding debt is not yet egregiously out of proportion to the revenue base. The 1992 fiscal year ended with a $566 million surplus, which was used to prefinance a much more difficult 1993 budget.

Where has the money come from to finance a growing city budget during a deep recession? Figure 1 shows the breakdown of city revenues from 1987 to 1992. Of the categories shown, receipts from the sales and use tax, "other taxes," and "all other revenues" have been virtually flat in nominal dollars (and have therefore declined after adjusting for inflation) for several years. Sales tax receipts have been

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declining since the onset of the regional recession in fiscal 1990 and are expected to show little growth in the current fiscal year, despite the strong national Christmas retail season. Income tax revenues have been growing somewhat, though more slowly on average than the local inflation rate. The $400 million jump between 1990 and 1991 was the result of two substantial income tax surcharges, which are due to lapse over the next several years.

Two sources of city revenue, however, have grown substantially since 1987: categorical aid and the real estate tax. These are the city's biggest revenue sources, together accounting for almost half of all city revenues. The steady growth in categorical aid—state and federal grants that must be spent on particular programs—is not a healthy sign for the city's finances. These funds are heavily concentrated in welfare and medical assistance, so the large increase (about 8 percent a year) suggests that dependency is rising. Moreover, the city is required to match these grants with its own funds, reducing its fiscal flexibility.

A Real Estate Boom?

The greatest increase to city revenues came from the real estate tax, the traditional mainstay of city finance. Revenues from this tax shot up at a rate of 9.1 percent a year from 1987 to 1992, for a total increase of more than 50 percent.

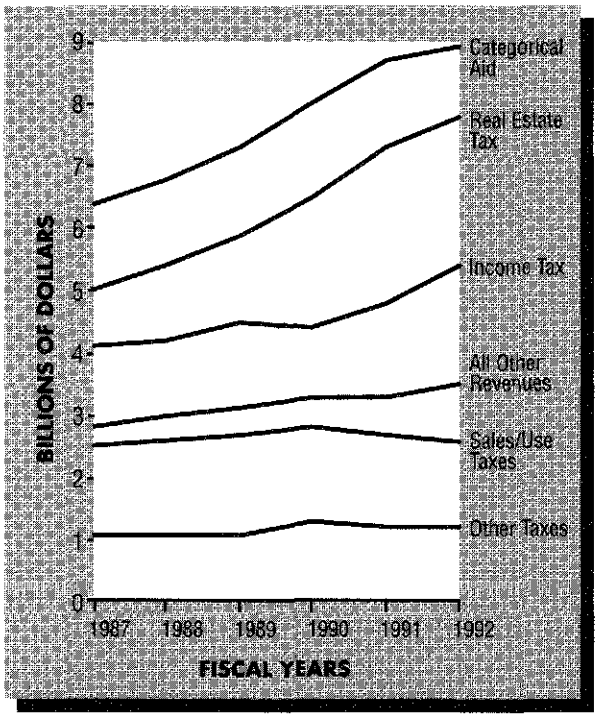
Yet the sharp rise in real estate taxes has taken place during a decline in the real estate market that has been nothing short of catastrophic. New York City is one of the two or three worst real estate disaster areas in the country, the center of what may be the region's worst real estate slump in fifty years. The downturn has been particularly severe in commercial real estate, especially the Manhattan office market.

The decline in the office market has been a national phenomenon. American real estate developers built more office space in the 1980s than in all the previous years of our republic's history. Between 1980 and 1985, the nationwide office vacancy rate soared from 4.6 percent to 16.9 percent. According to census data, however, New York City was at first relatively insulated from the national office market crash of the 1980s. Because the city was in the midst of a financial services boom, the market stayed relatively healthy: Citywide office vacancy rates were only 7.9 percent in 1985, up from a tight 3.1 percent in 1980.

FIGURE 1

Sources of New York City Revenues

(Nominal Dollars)



Source: NYC Comptroller's Office

But after the stock market crash in 1987, the city's office market deteriorated rapidly. Vacancy rates rose to 15.1 percent by 1989 and to 17 percent by mid-1991. The current rate is estimated at about 20 percent, with few signs that the market's decline is ending. According to the New York City Real Estate Board, overall office sales activity is at the lowest level since the late 1970s. Prices for office space are dropping accordingly: Baring Property Advisers, in a recent survey of prime Park Avenue office buildings, estimated that asking rents have fallen 19 percent since 1989 and 14 percent in

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just the last year. The surveyors caution that their data probably understate the price decline since building owners are also being forced to offer perks, such as free renovations and initial periods of rent abatement, in order to induce companies to rent from them. Data from the Corcoran Group show that Manhattan co-op and condominium prices followed the office market downward, falling more than 25 percent on a per-room basis between 1989 and 1991.

There is every reason to believe that the office market will get worse. Office leases that were negotiated at very high rates in the mid-1980s are now running out, and the owners of the newer space are typically very heavily indebted. According to the Real Estate Board, many office buildings are taking in barely enough rent revenues to cover the mortgage and operating costs; as rents decline and more leases come up for renewal, buildings will go into default. For many buildings, the steady upward push in real estate taxes has been a last nail in the coffin: In just three years, the real estate tax delinquency rate has more than doubled.

The recent history of 55 Water Street, a prime lower Manhattan property, is a sobering case in point. Knowledgeable institutional real estate investors put up more than $500 million for the building's AA-rated first-mortgage bonds, reassured by strong lease revenues from blue-ribbon tenants that more than covered debt service and operating costs. But when a spate of leases came up for renewal over the past few years, tenants left for lower-cost space elsewhere. By summer 1992, the building's vacancy rate was 24 percent, and some experts foresee it going to 40 percent. The first-mortgage bonds traded for as low as 29 cents on the dollar before the holders finally traded them in for the building's equity.

The sharp rise in real estate taxes during this disastrous market was made possible by the idiosyncrasies of the methods the state and city use to determine taxable property values. The State Board of Equalization and Assessment is responsible for producing full market valuations (estimates of the actual value of properties) each year, while the city's Department of Finance administers a separate system of estimating taxable assessed values (a proportion of market value on which the property tax bill is based). Both systems have produced bullish growth in valuations since the mid-1980s: The state's full-market valuations grew at a ridiculous 15 percent annual pace right through 1992, while the local taxable assessments grew at a somewhat more reserved 7.3 percent per year over the same period.

State officials make no attempt to defend the accuracy of their market valuations. Because of budget problems, according to a spokesman for the Board of Equalization, the agency has fallen several years behind its annual assessment schedule and has been merely projecting previous valuations forward. Since the valuations are based on the average of the previous five years, the strong upward momentum of the early 1980s is still built into the base numbers. Because of the state's nonfeasance, the city's taxing ability appears to be much higher than it really is. State law bars the city from raising real estate taxes for operating purposes (as opposed to debt service) to a level greater than 2.5 percent of market valuation. Because market values are artificially high, there appears to be a massive amount of room under the 2.5 percent ceiling. But when the state finally produces more realistic figures, the downward revaluation could be enough to severely hinder the city's taxing ability. A drop of about one-third from the current inflated market valuations is all that would be required; such a decline is quite possible, particularly if the slump continues for a few years longer.

The city's assessed valuations are kept current, but bear only an indirect relationship to actual market values because different assessment policies apply to each type of property. Single-family residences have always been intentionally undervalued. In effect, the same is true of co-ops and condominiums, which are treated as if they were rent stabilized, with their values limited by the inability to raise rents to whatever the market would bear. For residential properties, then, these practices substantially diminished the effects of the 1980s' "bubble" economy on property tax rates.

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The city's commercial assessments, however, are based on market values, although the effects are muted by a five-year phase-in period. But the phase-in period also causes assessments to continue rising in the early years of a real estate bust. Thus, the tax base of city commercial property rose by one-third between fiscal 1989 and 1992. Even with that rate of increase, the city pushed up the tax rate—from 9.7 percent of assessed value in fiscal 1989 to 10.6 percent in 1992—in order to accommodate its ever-growing appetite for more real estate tax revenues.

For the time being at least, the illusory increase in real estate taxing capacity seems to be over. In 1992, spurred by complaints from property owners and a variety of class-action lawsuits, Mayor Dinkins promised that the tax rate will not be increased again. Meanwhile, the fall in real estate values is beginning to be reflected in the city's assessments, which have stopped rising and could well start to decline. The net result is that real estate tax revenues are projected to grow only some 2.2 percent in the current fiscal year, and should be flat or even declining in nominal dollars for the foreseeable future.

Since it is unrealistic to assume that either the state or the federal government will provide substantial additional financial assistance—indeed, cuts in aid seem likely, given the fiscal troubles in both Washington and Albany—the city is probably headed for a full-blown fiscal crisis once again if it continues on its current course. Even based on fairly optimistic forecasts about spending discipline, state and federal aid, and local economic recovery, the city faces a built-in budget gap well in excess of $2 billion.

Can Wall Street Save New York?

The last major fiscal crisis, of course, was ended by the economic boom of the 1980s. With the national economy apparently on the road to recovery after a prolonged recession, can New York hope simply to grow out of its current troubles? Regrettably, no—at least not in the same way it did during the last two fiscal cycles.

With its manufacturing base almost totally gone, New York City's economy is critically dependent on the Manhattan-based financial services industry. Manhattan accounts for about 75 percent of the city's economic output; the FIRE industries (finance, insurance, and real estate), almost entirely located in Manhattan, generate roughly one-third of the city's total output and account for 15 percent of the city's employment. No other private-sector industry comes close in importance to financial services; indeed, one-third of all city-based jobs are in the government and the nonprofit, health, education, and social services sectors—all of which consist for the most part of tax consumers rather than tax contributors.

In fact, official figures probably underestimate the proportion of the city's private-sector economic product that depends on financial services. A host of other businesses—from law and accounting firms to restaurants and limousine services—feed off the financial sector. It is no exaggeration to say that as the financial services sector in New York goes, so goes the private-sector economy, the office market, the real estate tax base, and the city's fiscal health.

The city's dependence on financial services was clearly evident in the last several fiscal cycles. The financial markets and the city's economy were both depressed in the latter years of the Wagner administration, furnishing a major campaign theme for John Lindsay in 1965. Wall Street boomed again in the mid-1960s; by the end of Lindsay's first term, New York had the lowest unemployment rate of any big city in the country. City spending boomed along with the stock market, setting the stage for fiscal collapse during the long market stagnation of the 1970s. When the markets boomed again in the 1980s, both the state and the city suddenly looked financially healthy. Predictably, spending increased once more, culminating in the painful squeeze of the last few years as the markets again turned down. But it is very hard to be optimistic about the prospects for another financial services boom in New York City, despite the lavish incentives the Koch and Dinkins administrations have bestowed to retain leading firms like Prudential Securities and Chase Manhattan's back office operations.

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Superficially, Wall Street's fortunes turned decisively upward in 1992, with all-time high revenues and profits. Securities industry employment, which had fallen about 20 percent since the 1987 crash, has begun creeping up once again. But much of Wall Street's recent upturn in revenues is likely to be short-lived. Almost half of the securities industry's revenues in 1992 came from bond trading and interest profits. During 1992, the Federal Reserve drove short-term interest rates to the lowest levels in years, while medium- and longer-term rates remained relatively high. Wall Street carries huge bond inventories that it finances with short-term paper—that is, it has been able to borrow at 3 percent or even less and invest the money in medium-term bonds that pay 6 percent or more. As spreads between short- and long-term interest rates widened to historic levels, the profits rolled in. But with the recent reduction in long-term rates, no one expects this situation to last.

The second major revenue source in 1992 was record-breaking underwriting fees. Again, this seems mostly a one-time event. In the 1980s, Wall Street collected huge fees by selling junk bonds and other instruments that were used to buy up stock; now it is collecting huge fees for selling stock to pay off the junk bonds. That may continue for another year or so, but then underwriting activity will dip back down to more normal levels.

Meanwhile, the securities industry is facing a fundamental restructuring of the sort that affected almost all other American industries during the 1980s. This process will have a profound effect on financial services as a source of employment and a consumer of office space in New York City. The restructuring, which involves a move toward discount brokerages and computerized trading, is proceeding at a rapid pace: It is far easier to automate the processing of information, after all, than the manufacture of cars.

The nature of the business has changed dramatically over the last decade. In 1980 most stock trading was done by individuals, who paid very high brokerage fees for the privilege. Today individuals account for at most 30 percent of trading. Individuals' holdings of stocks and bonds are growing strongly, but they are investing through mutual funds and pension funds, which pay much lower fees for their trading. Stockbrokers held on to their customers by switching from selling stocks to selling mutual funds. When interest rates on bonds were high, this was wildly profitable: In the early 1980s, customers switching out of a bank passbook savings account were delighted to get 12 percent on their savings, and hardly cared that the fund managers were keeping another 2 percent or so each year for themselves. But with short-term rates down to the 3 percent level, many brokerages and fund companies are now giving away their money market funds for free.

The restructuring of the mutual fund industry is being led by direct marketers like Fidelity and Vanguard, which offer the most modern technology, much lower loads and costs, and excellent round-the-clock service by capable representatives who are paid much less than the Wall Street standard. For example, a fairly typical state municipal bond fund currently sold through brokers carries a front-end load of 4.75 percent and annual service and sales charges of about 1.25 percent. That is, to put $100 into such a fund, an investor would have to pay $4.75 up front and $1.25 a year in other charges. A virtually identical portfolio offered by Vanguard, the low-cost leader, has no up-front charge and annual fees of only about 0.25 percent. Investing $100 in this fund costs an investor 25 cents a year—period.

Retail customers, confused by complicated mutual fund fee schedules, are still paying high loads for broker-mediated funds, but the trends are unmistakable. Fidelity and Vanguard by themselves have accounted for about one-third of all funds growth over the past five years. As customers slowly catch on, there is extreme pressure on fees throughout the industry; to stay competitive, brokers will have to cut their costs—and therefore their profits and employment—for the foreseeable future.

The restructuring is reverberating through every corner of the industry. When most stocks were traded by individuals, it was easy for profes-

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sional money managers to beat the market. Now that professionals do most of the trading, they *are* the market, so it is hardly surprising that over the past decade most professionals failed to beat the standard market indices most of the time. Big investors have increasingly resorted to "indexed funds," computer-managed pools designed merely to match the leading market indices, at a fraction of typical funds management costs. Calpers, the nation's biggest pension fund, has about 75 percent of its equity holdings indexed. Indexed funds are also becoming increasingly popular in the retail market. As might be expected, funds management fees for institutional investors have been dropping steadily throughout the industry.

Some restructuring trends will have a particular effect on New York City. The system of trading shares on the New York Stock Exchange (NYSE) is organized around specialist firms physically located on the floor of the exchange. The NASDAQ over-the-counter market, on the other hand, has no exchange floor; bid and ask prices appear on traders' computer screens and transactions are conducted electronically. NASDAQ was originally created for small, thinly traded stocks that did not qualify for major market listings. But a lot of once-small companies are now very large and still trade through NASDAQ: Microsoft and Intel, for instance, have market capitalizations larger than that of General Motors and about the same as IBM's. Even NYSE-listed stocks are increasingly bought and sold off-exchange as big institutional players essentially trade directly with each other. NYSE officials can cite many reasons why their system is still superior, but the long-term trend toward off-exchange trading is as unmistakable as the trend toward lower brokerage and funds management fees.

A similar trend is the increasing popularity of book-entry trading. The treasury market has long since dispensed with physical certificates for notes and bonds, relying simply on computer register entries. To accommodate institutional investors, more corporations are giving their customers the choice of whether or not to hold stocks in the form of physical instruments. The movement, recording, and custody of physical certificates is a big, employment-intensive business in New York that will inevitably go the way of the horse-drawn milk cart.

New York City has held up well as a world financial market: The share of global capital that flows through New York is steady, even rising. But because of the increased automation of the industry, this does not portend continued high levels of employment and office space consumption by the city's financial services sector. The days when financial services served as a well-paid affirmative action program for presentable, moderately literate Ivy League graduates are ending—as, sadly, are the days when the stock market provided ready employment for legions of semiskilled clerks and runners. The industry that is emerging will be completely computerized, almost entirely without paper transaction records; much less labor- and space-intensive; and with much tighter cost and profit constraints. A long-term recovery in financial services, in short, no more implies a healthy New York City than the recovery of the American automobile industry means a healthy Detroit; just as the automobile industry has done, financial services is becoming less dependent on its traditional geographic base. The financial services industry, which has sustained the city through multiple cycles of contraction and recovery, is unlikely to do so again.

Restructuring the City

It is easy to be optimistic about the future of the national economy. America is now as internationally competitive as it has been in years. Fears that the Japanese would dominate computers and high technology the way they dominate television sets have proven unfounded, and Ford is once again head-to-head with Honda.

It is much harder, however, to be optimistic about the future of New York City's economy—unless the city's government makes major changes in its priorities and practices.

For at least the last thirty years, the city's primary objective, as measured by its spending patterns, has been to provide income, medical care, housing, and other services to its indigent population. At the

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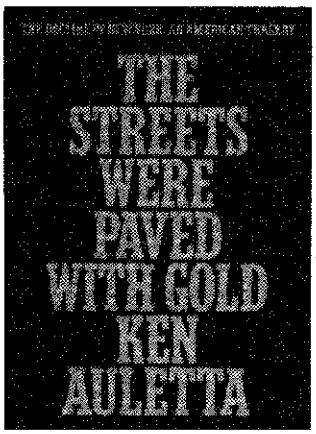

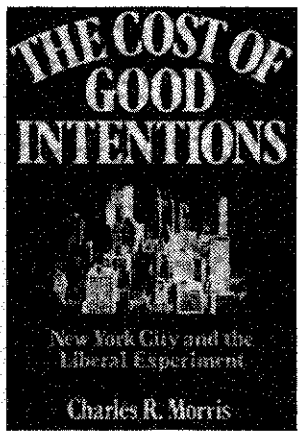

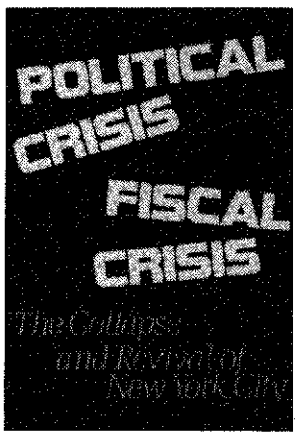

Back to the Future — The three major books inspired by the 1970s fiscal crisis: Ken Auletta's *The Streets Were Paved with Gold* (1979), Charles R. Morris's *The Cost of Good Intentions* (1980), and Martin Shefter's *Political Crisis/ Fiscal Crisis* (1985).

same time, it has given short shrift to traditional municipal functions that help ensure civic order and safety, provide clean and well-maintained public spaces, and offer a hospitable environment for raising families and conducting business. Nonetheless, its total per capita spending level is far higher than that of any other local area in the United States.

The city has been able to finance its largesse from the vibrant Manhattan office tower economy. There was a time when corporate offices had to locate in New York City if they wished to be truly plugged in to the world of high finance. As long as they had no choice, they endured the city's financial exactions, but many hastened to move out when economic and technological changes made it possible to do so. Irreversible trends in the financial services industry are similarly loosening the links that bind the leading firms to New York, while at the same time the industry's role as an employer is diminishing.

If the city's finances hit the wall, the state, whose budget has been steadily growing for the past decade, will be in no position to help. The Federal Government, to put it mildly, has its own problems. And there will be no Wall Street recovery just around the corner to bail the city out once again.

But adversity creates opportunity. New York's future lies not in stripping yet more revenues out of a shrinking office economy or in hoping for a Wall Street rebound. It lies, rather, in the armies of new, diligent immigrants who are taking over the outer boroughs. These immigrants aspire to build businesses, raise families, and join the American middle class. Enabling them to do so in New York City must be a top priority at city hall. A program for achieving this goal might include such measures as reducing the tax and regulatory burdens that make the city an unattractive place to start or maintain a small business; dealing seriously with the quality-of-life problems that drive middle-class New Yorkers to the suburbs; improving the public schools; and, to pay for all this, rethinking New York's commitment to the idea that its municipal government must do more, and spend more, than its counterparts anywhere else in the nation.

The wealth and glitter of Manhattan and the huge tax revenues it generated have always allowed New York to expand its government to huge proportions, to paper over the problems of the outer boroughs, and to escape the disastrous fate of cities such as Detroit and Philadelphia. But the days of that special dispensation are ending. The hope for New York's future lies in a restructuring of city government, one that could create a regenerated New York, a city of small businesses as well as global headquarters, a New York in which each of the five boroughs is a source of economic vitality. ■

Research assistance for this article was provided by William Schaefer.

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The Historical Roots of the Budget Crisis

Roger Starr

Why has New York City's government grown so large? Among the reasons are the unusual structure of a city of five boroughs, the small proportion of homeowners, usually a force for fiscal restraint, and the city's extraordinary commitment to programs for the indigent.

Edwin S. Rubenstein's "A Citizen's Guide to City Government" and Charles R. Morris's "Navigating the Nineties" present a picture of a city government living beyond its means and facing the strong possibility of a fiscal crisis in the next few years if it does not undertake serious changes in its basic approach to public policy. How did the city arrive at such a point?

New York has been, and remains, one of the world's richest cities. In the past, its economy was soundly based on the three legs of an economic tripod: a magnificent harbor, the nation's largest manufacturing base, and the headquarters of many large American corporations. New York has experienced a falling-off in all three of these categories, but the strength of its financial services sector sustained it through the 1980s. Even with its current economic problems, the city has enough resources at its disposal to project a 1993 budget of more than $30 billion, a sum larger than all but three *states* spend in a year.

Several distinctive strands in the city's geography, political history, and demography have combined to produce extremely high government expenditures while limiting the city's ability to raise revenues from real property taxes. To understand why New York's government has grown so large, we must begin with the evolution of the city's political structure. Manhattan, which for the last 95 years has been merely one of the five boroughs, developed into a mighty city long before the other four boroughs were substantially developed. Prior to unification in 1898, the outer boroughs were little more than farmland; the only exception was the small—and, to nineteenth-century Manhattanites, somnolent—city of Brooklyn.

After unification, Manhattan was by far the richest and most densely developed borough. It was also the site of city hall and the command post of the expanded city's mayor. The rustics who became New Yorkers by the stroke of a pen had done so because they surmised that unification would encourage the city to build new bridges (and, later, tunnels) to connect Brooklyn, the Bronx, and Queens with Manhattan, where the jobs were. But the boroughs wanted to protect their interests within the new city: They desired a variety of improvements that wealthy Manhattan would have to subsidize, and they also

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feared getting stuck with such nuisances as jails, garbage dumps, poorhouses, and noxious factories.

To resist Manhattan's anticipated aggression and self-service, the leaders of the boroughs pressed for a governmental structure that would give them a strong voice. What emerged was the Board of Estimate, which consisted of the five borough presidents and three citywide officials: the mayor, the president of the City Council, and the comptroller. The citywide officials had two votes each; the borough presidents, one. Thus, the citywide officials could, if they agreed, always outvote the representatives of the boroughs. There was, however, no cogent reason for expecting that the comptroller and the City Council president would agree with the mayor on controversial issues. But the boroughs stuck together: By custom, when the mayor presented a proposal that affected one of the boroughs, its president could count on the votes of the other four borough presidents.

The arrangement, therefore, did not give the mayor ample authority to push unpopular but necessary policies. As a result, it became common practice for the mayor to offer benefits to the affected borough president in exchange for his acquiescence in an undesired project. The job of the mayor's office in planning a garbage transfer station, to take an imaginary but typical example, was to impress on the relevant borough president that his borough needed such a station. The borough president might feel that the site was well-chosen but that his acceptance of the station would be politically undesirable without a balancing bonus. The mayor would then suggest that the immediate remodeling of two obsolescent schools in the vicinity would benefit more people than the transfer station would harm. The borough president would tell the mayor that, although he would continue to dispute the placement of the transfer station, he would release the other borough presidents from their implicit promise to vote with him—provided that the Board also approved the school rehabilitation.

Such a process meant that necessary projects took longer to approve and were ultimately more costly because the city had to accompany them with concessions to regional interests. Though the Board of Estimate was dissolved in 1989, this dynamic is still played out, with the City Council and community boards serving as the forums for local resistance to citywide projects.

The unusual relationship between the city and the boroughs also constrained the city's ability to collect revenues from the real property tax. When New York was unified, it was obvious that Manhattan would produce many times the tax revenues that would flow into the city from the outer boroughs. While the boroughs levied taxes on houses and small apartment buildings, Manhattan's tax base consisted of multimillion-dollar office buildings, high-rise apartment houses, department stores, and factories (especially in the garment district). In a brief sentence one can describe what happened: Manhattan collected taxes, while the other boroughs pleaded for improvements.

In virtually every other U.S. city, organizations of homeowners act as effective advocates for controlling city spending

The outer boroughs flexed their political muscle in Albany, leaving the city unable to raise taxes proportionately on residential property outside Manhattan. The State Legislature passed a law that prevented the city from taxing one-, two-, and three-family homes at anything like the rates paid by the owners of apartment houses and commercial and industrial property. As of the late 1980s, property taxes on small homes were only slightly more than one-fifth as high, as a percentage of market value, as those on apartment buildings. This differential prevented the city's property tax revenues from rising as quickly as the value of the homes in the outer boroughs. The city had to rely more on other sources of revenue: a municipal income tax,

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sales tax, hotel tax, commercial rent tax, and so on. Revenues from these sources are more likely to decline during bad economic times, as are commercial real estate tax collections: When the assessed valuations of Manhattan office buildings fall, as they are beginning to do because of the current real estate slump, the city government is squeezed.

Further, New York's property tax structure, combined with the preponderance of apartment dwellers in the city (more than 70 percent of New Yorkers are renters), deprives the city of an important means by which municipal spending is kept in check elsewhere in the nation. In most cities, homeowners not only pay taxes on their homes, but they do so with open eyes. Because they get a bill directly from the local government, they have a direct interest in scrutinizing proposed legislation and keeping overall expenditures—and therefore their taxes—down. By contrast, it seldom occurs to a tenant that he is paying part of the owner's real property tax every time he writes out a rent check. This is even more true of a tenant who is protected by rent regulation. The apartment dweller, never seeing a tax bill, does not know how much of his money the city is spending.

In virtually every other U.S. city (with San Francisco the sole exception), at least half of the residents own their homes. Organizations of homeowners represent the financial interests of their constituents and act as effective advocates for controlling city spending. In New York, however, homeowners are guaranteed low property taxes by state law. Those homeowner groups that do exist, in areas such as the Upper and East Bronx and parts of Queens and Brooklyn, are concerned primarily with securing better city services for their neighborhoods: They want cleaner and better streets and sewers that drain off rainwater; they don't want to be forgotten when the Sanitation Department starts removing the effects of a major snowfall. Because they know the State Legislature will keep their taxes down, they have no incentive to monitor the city's overall priorities or keep spending under control. It is telling that, while New York has several organizations that call themselves citywide tenant groups, there are no citywide homeowner organizations.

The size of New York's government also owes a great deal to the city's dominant political culture, which has long held to the belief that the rich should not object when their money is taken from them for the benefit of the less fortunate. This belief grew out of two different motivations. Many of the richest people in Manhattan themselves felt a moral obligation to the poor. They established settlement houses, charitable organizations, prison relief societies, and voluntary hospitals in the sections of town where poor people lived.

If New York's newspapers scrutinized legislation in Albany and city hall as carefully as in Washington, they could help correct New York's budgeting excesses

Political thinkers and activists, on the other hand, argued that the rich should succor the poor not only because the poor need help, but also because the rich deserve to have their money taken away from them in order to remedy what the nineteenth-century political economist Henry George called the "shocking contrast between monstrous wealth and debasing want" in the city. George, author of the 1879 book *Progress and Poverty*, advocated a "single tax" system, in which property owners would pay taxes only on their land, not on buildings or other improvements. This, he thought, would give landowners an irresistible incentive to build better housing that the poor could afford. George ran for mayor in 1886; though he lost, he offered a strong challenge to the candidate of the Tammany Hall Democratic machine and outpolled another aspiring politician, Theodore Roosevelt.

The arguments made by progressives like George resonated with successive waves of refugees

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who were arriving in New York: Germans fleeing the political changes of 1848, Italians leaving the Mezzogiorno, Russian Jews fleeing the pogroms, and the Irish, forced from their homes by English landlordism and the potato famine. Most of these immigrants abandoned their revolutionary views as they ascended America's political ladder. But the belief that the rich owe a debt to society continued to exert great force in New York politics.

As New York City's Democratic Party had adapted to the immigration of the nineteenth and early twentieth centuries, so also did it adapt itself to the ideas of the New Deal era. New York State voted the second-highest welfare allotments to families with dependent children (after Massachusetts). New York, alone among large U.S. cities, took responsibility for funding half the amount of welfare benefits not covered by the Federal Government.

One could go on endlessly talking about New York's continued efforts to make life better for the poor. One public hospital, Bellevue, became a chain of 16. Public housing tenants in New York City were more numerous than residents of Buffalo, the state's second city. The majority of voters perceived this as good, and never asked, "How are we going to pay for all this?" This tradition remains strong in New York today. Many who have worked to sustain the charitable impulse do not understand that charity, improvidently given, hurts the recipient more in the long run than it helps in the short.

New York's political structure and culture, then, have led the city government to concern itself primarily with parochial and ideological matters, often at the expense of the city as a whole. There are, of course, organizations that scrutinize the budget carefully and manage to find mistakes, discrepancies, and unnecessary or ineffective programs. Such groups sometimes have an impact, but City Council members know that only a small number of New Yorkers will vote on the basis of such good-government considerations.

New York's major newspapers tend to uphold the city's tradition of service to the poor and are generally not as careful in analyzing the economic effects of bills designed to help the poor as they are in the case of bills that are frankly directed at improving the state of the economy. If reporters would follow legislation in Albany and city hall as carefully as they scrutinize what goes on in Washington, it would certainly help correct the excesses in New York's budgeting process.

New York City's spending is also facilitated by the fact that it is a one-party city, with the Democrats constituting an overwhelming majority (45 of 51 members) in the City Council. The city does occasionally elect a Republican as mayor, but party distinctions are not as sharp in New York as in national politics, where the GOP is generally regarded as the party of smaller government. It is true that most big-city governments in the United States are dominated by Democrats, but in Los Angeles and Chicago, for example, many responsibilities rest with the county government, which includes suburban Republicans as well as urban Democrats. It would be good for the budget if the Democrats faced tough contests in more districts where fiscally conservative Republicans have a chance of winning.

It seems increasingly clear that New York will not be able to sustain a city government of its current size and scope indefinitely. The city's current economic problems are a warning of possibly dire fiscal troubles ahead. But this warning also represents an opportunity for the city to reevaluate its priorities now, before it is forced to do so by a fiscal crisis. ■

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The Two New Yorks

Frank J. Macchiarola

New York City is often said to be polarized along lines of black and white or rich and poor. But what really divides New Yorkers is the cultural gap that separates the Manhattan mindset from the rest of the city. A unified city depends on its residents understanding and bridging this gap.

When New Yorkers travel around the country, we are frequently asked to explain what New York City is all about. In answering this question, one is tempted to resort to superlatives: New York is the biggest city in the United States, its cultural scene the most diverse, its public transportation network the most vast, its skyline the most impressive. "How could you possibly understand?" a New Yorker might scoff at someone from Los Angeles or Chicago. "Your city has only three million people."

But in order to truly grasp what drives New York life, one must understand "new" geography, in which distance is measured not in miles but in mentalities. I like to say that in terms of this new geography, New York City sits separated from Europe by the Atlantic River and from the rest of the United States by the Hudson Ocean. Despite the city's problems, the "New York state of mind" makes it a place to which so many want to come—and which, in spirit, so many never leave, even when they take up residence thousands of miles away.

To New Yorkers, of course, all this may seem commonplace. But the concept of the new geography is also useful in helping us understand the character of our own city.

Analysts often explain the differences that divide New Yorkers from one another in purely demographic terms. Andrew Hacker and Jim Sleeper, for example, have both written important books on how racial questions play out in the political and social life of the city. Robert F. Wagner Jr.'s Commission for the Year 2000 took the position that the most important dividing line was not between black and white, but between rich and poor.

All of these explanations have some merit. I believe, however, that the most critical distinction is one that is seldom discussed and that cuts across lines of both race and class, separating New Yorkers on the basis of their political and social culture. The distinction is between what are in fact two "boroughs," Manhattan and outer borough New York. Both include people of all ethnic groups and various economic conditions.

Of course, my distinction does not precisely follow the physical boundaries of the five boroughs. Outer borough New Yorkers can be found in Manhattan and dominate some neighborhoods, such as the

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Lower East Side, Harlem, and Washington Heights. There are Manhattan types in the other boroughs as well, including large concentrations in such communities as Park Slope, Brooklyn; Jackson Heights, Queens; St. George, Staten Island; and Riverdale, the Bronx.

What sets the two New Yorks apart? Many things. Most Manhattanites live in buildings owned by someone else, while the single-family home is the norm for outer borough New Yorkers. Manhattanites usually have professional jobs; men wear white shirts and ties and carry briefcases. Outer borough New Yorkers are likely to work with their hands and dress more casually. Some outer borough New Yorkers do work in those fancy midtown office buildings, but at night they can hardly wait to get home to Queens or Brooklyn.

Most New Yorkers have an intuitive grasp of the distinction I am describing, yet it somehow doesn't make it into the authoritative literature. That is largely because Manhattanites, who write most of the books and articles on the subject, enjoy an elite status and prefer not to call explicit attention to it.

Borough Politics

The differences between Manhattanites and outer borough New Yorkers are often played out at the ballot box. In the 1992 Senate race, for example, Democratic challenger Robert Abrams won a huge majority in Manhattan, while Republican incumbent Alfonse D'Amato was quite competitive in the outer boroughs, despite their high Democratic enrollments. While most analysts acknowledged the substantial Jewish vote D'Amato received—about 40 percent statewide—they failed to note the split between outer borough Jews and Manhattan Jews.

An even more revealing example was provided by the 1992 race in the 14th Congressional District, which before reapportionment was entirely in Manhattan. Liberal Republican Bill Green had represented the "Silk Stocking" district of the Upper East Side since 1978. Parts of Brooklyn and Queens were added to the district under reapportionment. Because these areas are heavily Democratic, the *New York Times* and others assumed that Green would only have to prove his liberal credentials in order to win. He therefore linked himself with Bill Clinton and Robert Abrams. Green lost, in large part because outer borough voters were not impressed by a Republican congressman who abandoned D'Amato for Abrams. Green's liberalism—so significant to members of both parties in Manhattan—was unimportant in the outer boroughs.

The differences between Manhattan New Yorkers and outer borough New Yorkers are seen not only in the election results but also in the character of elected officials. Manhattan representatives in the State Legislature and City Council are far more liberal than most of their outer borough counterparts; they are frequently regarded as "crazies" by more moderate members of their own party. When outer borough Assembly Democrats speak frankly, they admit that they are glad the Republicans control the State Senate. This is not to say they are Republicans in their hearts, but that they fear the social and fiscal consequences of the policies favored by Manhattanites. Many of these legislators believe that Governor Cuomo, a Queens Democrat, feels he is better off with a different party in control of each house of the legislature.

Identification with Manhattan or the outer boroughs is not always set in stone. Former Mayor Edward Koch, for instance, was elected to his first term as a Manhattanite, but ultimately moved his emotional and political residence to the outer boroughs. His defeat in the 1989 Democratic primary was in part accounted for by his frankness in questioning traditional liberal dogmas; many Manhattanites simply could not abide this.

Municipal Services

Outer borough New Yorkers are far less satisfied than Manhattanites with the municipal services they receive. Virtually all New Yorkers believe that the city sells them short when it comes to municipal services: The streets are filthy and unsafe, the schools are failing, the parks are badly maintained, transportation is inadequate—the list could go on.

But the situation is much worse in the outer boroughs. Indeed, the difference in geography means

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that New York's two "boroughs" do not have the same climate. In Manhattan, where snow is quickly melted by Con Ed steam under the streets, snowfall is a mere inconvenience. But in the outer boroughs, snow can last a long time if the Sanitation Department does not do the work of the Con Ed steam. John Lindsay, the last compleat Manhattanite to serve as mayor, discovered the political importance of that fact when he did not send snowplows to Queens for several days after a major snowstorm. As a consequence, he almost lost his bid for reelection.

Outer borough New Yorkers have such low expectations of the city government that they have developed alternative ways of obtaining services. Their transportation "system," for example, usually includes a private car; some outer borough New Yorkers have not been on a subway or a city bus in years. Even poor people in the outer boroughs avoid city buses by riding in liveries and vans that are often cheaper, cleaner, and more efficient. Outer borough New Yorkers often travel into Manhattan on private express bus lines, which are more expensive and often slower, but invariably safer, than the subways.

Many outer borough residents volunteer with local ambulance corps, which were set up in areas like Bedford-Stuyvesant and Midwood in Brooklyn only after an intense struggle with a state bureaucracy reluctant to grant them permission to operate. The volunteer ambulance corps generally avoid taking patients to city hospitals, where it is believed few patients get out alive.

Even on matters of public safety, outer borough New Yorkers rely increasingly on private efforts, in the form of neighborhood block patrols. These patrols operate in residential areas and public housing projects, trying to create the kind of police presence many New Yorkers feel they do not get from their local precinct. Outer borough New Yorkers do not trust the city to pay real attention to their crime problem. They know that police response time is horrendously slow because robberies and muggings—the kinds of crimes they most often experience—are considered a low priority by the New York Police Department. Even when the local precinct captains commit more police in response to community demonstrations, outer borough residents believe that it is just temporary, and that the cops will be taken off the beat when things quiet down.

Outer borough New Yorkers despair over the public schools. They believe the school system is in the hands of bureaucrats who don't care and policymakers who care about a political agenda rather than an educational one. Some outer borough parents are willing to keep their children in public school because the local community school board makes most of the real decisions. But these parents are wary of the high schools, which are under central control, and many send their youngsters to private and parochial schools because they believe public schools are unsafe and do a poor job of educating.

Likewise, recreational programs for children usually take place outside city parks or public schools: Volunteers, civic associations, and parent groups run the Little League and scouts. These groups frequently have their own athletic facilities, often adjacent to the city's, and the private facilities are invariably better maintained and safer. The outer borough New Yorker knows New York City has a place called Central Park, which Manhattanites regard as a sacred place but outer borough residents seldom visit. The outer borough New Yorker would not be surprised to learn that Central Park is the headquarters for the city's Department of Parks and Recreation.

To the outer borough New Yorker, the presence of a New York City government employee means trouble—epitomized by the traffic enforcement officer who writes tickets for legally as well as illegally parked cars. Even worse off is the poor resident of the outer boroughs, who must deal with city social service agencies and who sees them as cruel, uncaring bureaucracies that lack the basic human touch that should undergird any effective social service delivery system. The city's commissioner of social services discovered this fact only after three years in office, when she tried to use the services of her own agencies disguised as a client.

Free Lunches

Attitudes toward municipal services reflect a broader cultural difference between Manhattanites

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and outer borough New Yorkers: Manhattanites are used to the idea that other people work for them, while those in the outer boroughs embrace an ethic of self-reliance. Unlike the outer borough homeowner, the typical Manhattanite, living in an apartment, does not paint woodwork, replace fuses, hang wash out to dry, or even take out the garbage. Manhattanites have holiday lights provided for them, on Park Avenue and at Rockefeller Center; people in the outer boroughs decorate their homes at Christmas time for the pleasure of their neighbors.

Outer borough New Yorkers know it will cost them if they get someone else to do something for them. Manhattanites—especially those whose utilities are included in a stabilized rent—expect things to be done for free. As a result, many Manhattanites are more interested in conserving endangered species than the resources they themselves use.

The idea that there is such a thing as a free lunch makes Manhattanites much more likely to vote in favor of ballot proposals for increased spending on roads, mass transit, housing, jobs, or whatever else requires the state to go even deeper into debt. Because Manhattanites are used to getting something for nothing, they are disposed to spend now and worry later about tomorrow.

In evaluating the effectiveness of their government, Manhattanites almost invariably ask how much money is being spent rather than whether the money is being spent wisely. They tend to have little understanding of productivity or expectation of accountability in public systems. They strongly resist the idea that the public sector should have to compete with, or in some cases be supplanted by, the private sector.

Manhattanites expect the Federal Government to pay a great deal more to support the city's addiction to spending. Ironically, however, they often end up opposing, on ideological grounds, proposals to spend huge sums of federal money on New York City projects, such as Westway and the Staten Island Homeport for the Navy. One might say that Manhattanites believe the Federal Government is the enemy because it spends money on the wrong things, while outer borough New Yorkers believe the Federal Government is the enemy because it spends money.

Religion

One of the most profound differences between Manhattanites and outer borough New Yorkers involves their attitudes toward religion. In the outer boroughs, religion is based on God's law, as expressed in the traditions of Christianity or Judaism—or, with the influx of new immigrants, of Islam or Hinduism or Buddhism. Manhattanites, on the other hand, tend to follow a secular religion. They get their sermons daily on the editorial page of the *New York Times*, where they learn less about what they ought to do and more about what others should do. (Reading the paper, Hegel observed, is the morning prayer of the realist.)

Manhattanites adhere to a social gospel rather than a personal one. In this world view, society is often wrong, and individuals are hardly ever guilty of sin. The homeless are victims of a housing shortage; people who don't work are all victims of bad economic times; marauding bands of teenagers who prowl city streets are victims of discrimination. A Manhattanite would never use the word "bum" to describe a poor unfortunate. Outer borough New Yorkers, in contrast, resent Manhattanites' determination to blame personal problems on society's shortcomings. They prefer to focus instead on the failure of individuals to exercise personal responsibility. To the outer borough New Yorker, society has plenty of bums.

Because of its secular nature, the Manhattan faith never runs afoul of the First Amendment. Thus, while the Constitution prohibits prayer in the schools, it allows Manhattanites to proselytize: If their values are supported by the central Board of Education, they can impose measures like the Rainbow Curriculum, regardless of how they offend the religious values of outer borough parents. Similarly, Manhattanites know that teenagers have sex, and because theirs is not a personal religion, they would not pass judgment on such behavior. Rather than anguish over whether they can teach

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abstinence (let alone expect it), Manhattanites embrace the simple expedient of giving out condoms in schools.

Outer borough New Yorkers, Catholics in particular, feel that the separation of church and state increasingly means that the state is hostile to traditional religious values. They believe Manhattanites have a special view of the Catholic Church that requires them to celebrate Catholic public officials who defy church authority and excoriate those who adhere to the basic moral doctrines of their faith. Outer borough Catholics are angered that the St. Patrick's Day parade was turned into an effort to serve the political agenda of outsiders. They see parochial schools closing—not because they do not educate children, but because parents cannot afford to pay both tuition and taxes to support a public system that is three times as costly. They saw remedial reading programs, funded by federal Title I assistance, taken out of parochial schools and moved to large buses parked outside. The U.S. Supreme Court worried that there might be a religious influence if such classes were taught in a parochial school, even though during 15 years of the program there was never any showing that such an incursion had taken place.

The Manhattanite faith judges people primarily on their perceived social class rather than on their personal conduct. Manhattanites are suspicious of wealthy people who earn their money, particularly landlords and real estate developers. Many Manhattanites also regard the poor and oppressed as above moral judgment. They reject the notion of individual merit as unfair to minorities. City employees who live in the outer boroughs feel the brunt of this approach when Civil Service examinations are scored in ways they regard as biased to favor minority groups.

For the most part, outer borough religion focuses on the personal conduct of those who belong to the congregation rather than on the behavior of outsiders. There is also a sense of community that accounts for the strong concentrations of certain ethnic and religious groups in particular neighborhoods. It is usually a strength, but it can breed distrust and hostility toward other groups. The racial tensions that trouble the city are largely a result of this lack of understanding. I have always marveled at how well schoolchildren of different ethnic, racial, and religious backgrounds get along. I believe this tolerance and respect would grow but for the interference of adults, with their prejudices and stereotypes. Intolerance is all the more galling when practiced by those who profess a belief in God; this, I believe, is a problem that outer borough New Yorkers must confront.

Conclusion

I have offered a view of New York that is rarely presented, a view I have formed based on a lifetime of living with, and listening to, both Manhattanites and outer borough New Yorkers. It is, however, a view that is particularly timely today. The differences between Manhattan and the outer boroughs were what drove the divisive debate over the renewal of Joseph Fernandez's contract as schools chancellor. They are very much an issue in Staten Island, where many residents feel alienated from a Manhattan-centered city government and a serious effort is underway to secede from New York City. There is also talk of secession in Queens. In the future, the city's leaders will have no choice but to acknowledge and address the geographic gap I have discussed.

It is a gap that I believe can be bridged, for our most profound differences are acquired ones: Manhattanites and outer borough New Yorkers are what they are in large measure because it is what they have chosen to be. Most people realize that cultural diversity is something to be celebrated. We must learn, however, to apply that principle to acquired diversity as well as to such characteristics as race, ethnicity, religion, and social class. People are entitled to be respected for what they choose to be as well as for the characteristics they are given at birth. And it is important for us to reaffirm this in a world that has become cynical about the condition and power of the human spirit. New Yorkers must come to realize that the road to unity is one we can travel only if we choose to communicate with, compromise with, appreciate, and understand one another. ■

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The Futile Crusade: The Rise and Fall of Joe Fernandez

Kay S. Hymowitz

Joseph Fernandez hastened his fall as schools chancellor by doggedly pursuing controversial social programs. But his failure was almost inevitable in a system that has grown so big as to be unmanageable. It is time for true decentralization of New York City's public schools.

After the stormy five-hour meeting at which the Board of Education voted to terminate the contract of Joseph Fernandez as New York City schools chancellor, Deputy Mayor Norman Steisel shook his head over the "public execution." The next day a *New York Newsday* editorial echoed Steisel's words; the board, the editors said, had "guillotined" Fernandez. The metaphor of revolution is not so farfetched. Fernandez and the forces he represented were indeed overthrown—not by the seven-member central board and mayoral politics, as the press repeatedly charged, but by a grassroots effort on the part of an angry citizenry frustrated by a system that seemed blind to their concerns.

The populist revolt against an archaic, unresponsive, and, yes, elitist institution is in many ways reminiscent of the one that took place in Brooklyn's Ocean Hill-Brownsville 25 years ago. Like the events of 1968, it is a revolt that implicitly calls into question the legitimacy and authority of the central school bureaucracy. We are beginning to hear some buzzing about how to restructure a system that has eaten up five chancellors in ten years and that wastes precious time and money on matters having little to do with the serious problems of overcrowding, violence, and poor achievement that plague the city's schools. A closer look at the events leading up to Fernandez's fall highlights some of the dangers and opportunities faced by those considering how to restructure the city's school system.

Fernandez arrived in New York City from Miami in January 1990 to a collective, happy sigh of relief. Here was the man—vigorous, brash, and innovative—to breathe life into a huge, moribund system. His first hundred days seemed proof of his gifts: He swept away "building tenure" for principals, worked to loosen the grip of a pampered and entrenched custodial union, and attacked corrupt school boards and superintendents. Bolstered by nearly total support from the city's newspapers, political establishment, and apparently, the public, the chancellor was in an ideal position to play the role of the out-of-town sheriff come to shoot up all the bad guys and bring the town a bit of peace and sanity.

The very qualities that had made Fernandez such a promising leader, however, proved his undoing. Within a year of becoming chancellor, he introduced a plan to distribute condoms in the city's high

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schools. For reasons known only to him, he decided to dispense with the niceties of private, conciliatory discussions on such a delicate issue; some central board members first heard about the plan when journalists called them to ask for their statements. Still, in February 1991, the measure was passed after a bitter debate, but only by a 4-to-3 vote. Queens representative Carol Gresser, a mother and one-time PTA president who had opposed the condom distribution plan, proposed instituting a parental opt-out clause similar to the ones now in place in other urban schools around the country. It appeared at first that Fernandez was willing to live with this, but at the last minute both the mayor and the chancellor brought pressure on Westina Matthews, a mayoral appointee, and Ninfa Segarra, the wavering Bronx representative, to oppose the opt-out provision. In September 1991 it was defeated, again by a 4-to-3 vote.

According to conventional wisdom, the 4-to-3 breakdown was just about writ in cement. The four members in the majority—two blacks, mayoral appointees Matthews and Carl McCall, and two Hispanics, Segarra and Manhattan representative Luis Reyes—were thought to be a reliable voting bloc. The three dissenters, representing Brooklyn, Queens, and Staten Island, were assumed to be effectively powerless. With Mayor Dinkins's office whispering in one ear and the newspapers whispering in the other, Fernandez was able to treat the minority as a mere nuisance, out of touch with the enlightened and progressive social programs that were about to become the focus of his tenure. When angry demonstrators began to appear in front of 110 Livingston carrying signs reading "Jews Say No," "Muslims Say No," and "Christians Say No," almost everyone in the bureaucracy and on the metro desks shrugged them off as religious extremists, hardly worth noting.

But a May 1992 skirmish over the chancellor's AIDS education program proved to be a turning point in what few recognized at the time as a brewing civil war. As Fernandez's detractors on the board began to question the details of his program, the chancellor snapped at them for attempting to "micromanage" school affairs, a charge dutifully repeated in a *New York Times* editorial. What the *Times*, Fernandez, and the mayor's office, which remained firmly behind the chancellor on these matters, understated was that a number of the recommendations of the program were, well, a little touchy. Fourth graders—that is, nine-year-olds—were to be taught about condoms and spermicidal creams, while fifth graders would be treated to discussions of oral and anal sex. When a measure was introduced to ensure that outside groups participating in the program would stress abstinence as the preferred method of preventing AIDS, Ninfa Segarra, who later said she was sickened by the thought of her own children hearing the very lessons she was being asked to approve, voted with the other outer borough representatives and tipped the balance.

Opposition to the Rainbow Curriculum was far broader than Fernandez, the press, or most Manhattan politicians wanted to admit

The response to Segarra's vote and the events that followed offer in microcosm a sad lesson about the way a huge city bureaucracy polarizes political and ideological interests and thereby assumes a starring role in the Grand Guignol of New York's newspapers. Segarra—who says she simply believes that condom distribution for sexually active teens is a very different sort of issue from explicit sexual details in an elementary school curriculum—was treated as the city's Mata Hari, traitor to minority children and to progressive ideas about education. Since she had failed in a bid to become board president, losing to mayoral appointee Carl McCall in 1991, the case was made that she must have been driven by personal ambition and vengeance against the mayor.

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In the political hysterics that followed Segarra's vote, her critics would not allow that conscience or reason may have played even the smallest part in her decision. Fernando Ferrer, the Bronx borough president who had appointed Segarra to the board, angrily demanded her resignation; Mayor Dinkins echoed his call. Fernandez called her a "political prostitute," proving that even those who preach from the pulpit of respect are not above a sexist attack now and again. It became open season on Segarra, even among the sisterhood: Andrea Peyser of the *New York Post* would later brand her "Ninfa-maniac"; Fernandez's epithet of "political prostitute," Peyser explained, was "insulting—to hookers." Two months after the abstinence vote, Fernandez's chief spokesman, James Vlasto, issued a memorandum to the press in which he declared that "the dubious action by the board is clearly bent on burying the next generation."

This ugly polarization, which can only undermine serious decisions about education, was fueled by a press that may have helped write rather than report history. Editorialists and columnists stridently attacked the board majority; even news accounts dubbed them the "Gang of Four," though the previous majority that favored Fernandez's policies had merited no such unfriendly sobriquet. Understandably, the members of the "gang" were forced into the same bunker, despite their personal and, on many issues, political differences. "It was a matter of survival," Segarra has said. Thus were the lines drawn: the ignorant, corrupt outer boroughs ("those places where people actually send their children to public school," as the *Observer*'s Terry Golway put it) versus the enlightened, progressive elite, mostly from Manhattan.

This elite, which repeatedly accused the outer borough representatives of "playing politics," had a political agenda of its own, which culminated in the most bitter battle of Fernandez's tenure. For some time, representatives from the mayor's office had been meeting with gay and lesbian rights groups who wanted a say in the board's multicultural guide, then in the planning stages. According to a *Times* report, Dr. Marjorie Hill, director of the Mayor's Office for the Gay and Lesbian Community, "led a delegation" of gays and lesbians to meet with the chancellor who then assigned a deputy chancellor, Amina Abdur-Rahman, as his liaison to them. With repeated letters of support from the mayor's office and after gay representatives threatened to "go public with their frustration," a lesbian teacher named Elissa Weindling was asked to join the project, entitled, to lasting infamy, "Children of the Rainbow."

"Aside from the military, the New York City school system is probably the largest management enterprise in a democratic state," says a former deputy chancellor

These political pressures on the school system, as it turned out, had come at a most inopportune time: Weindling climbed on board as the multicultural department was developing its curriculum for the first grade (though every grade would have one in the future). The guide's mandate that teachers stress multicultural diversity, including gay and lesbian lifestyles, "in all curricular areas" when teaching six-year-olds looked ludicrous. Had the mayor's office intervened when, say, the ninth grade curriculum was being developed, politics would probably have prevailed over education, and to far less outcry. But politics has its own timetable, which in the current system, at any rate, seems to supersede that of children.

As the furor over the Rainbow Curriculum intensified, Fernandez fought his battle, not as an educator concerned with the delicate relationship between schools and families, but as a crusader who branded his detractors as virulent enemies of a great cause. His supporters first tried painting the Catholic Church as the central command of his opponents, a task made feasible by the Catholic makeup of the most vocally rebellious local board, District 24 in Queens, and by the press's convenient

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soft-pedaling of the objections of other, less homogenous boards. Fernandez accused his opponents of a "malicious, highly organized campaign to distort [the curriculum's] contents." Days after this first shrouded reference to organized Catholic opposition, the *Times* published an article by Sam Roberts which attempted to confirm the chancellor's view. But Roberts's evidence was thin: Two lawyers who represented District 24 had on occasion worked for the Archdiocese, and John Cardinal O'Connor, who had praised Segarra for refusing to resign, was planning to officiate at her wedding. Fernandez's accusations later took in a wider ken: "This is a highly organized group of the extreme religious right wing," he told National Public Radio, perhaps alluding to the Latino Pentecostalists who had also passionately opposed the curriculum.

The truth is that the opposition to the Rainbow Curriculum—as well as to the AIDS education and condom programs—was far broader than either Fernandez, the press, or most Manhattan politicians wanted to admit. Some of the opposition was based on religious belief, but it was hardly limited to Catholics: Jews, Muslims, and Christians of other denominations were also saying no.

Although District 24 mounted the most direct challenge to the Rainbow Curriculum, many districts "accepted" it only with the provision that references to gays and lesbians be moved to the sixth grade. They were actually engaging in a little bureaucratic finesse, since no sixth-grade multicultural curriculum is yet in the works. And once District 24 rose up in revolt, a number of other districts rolled back their original, apparently fatalistic acceptance. In Staten Island, one district meeting was attended by a thousand angry parents, an unheard-of number for these usually tedious affairs. (It was front-page news in the *Staten Island Advance* but went unreported in the citywide papers.)

Much of the opposition came from the very minorities whose multicultural heritage the Rainbow Curriculum was supposed to honor. District 29, which covers a mostly black community adjacent to the infamous District 24, rejected the guide early on, but this went largely unremarked by the chancellor's office and the press. Olivia Banks, then vice president of the district board, said that during one packed meeting, after listening to a long line of anxious parents speaking out against the curriculum, a policeman standing guard was moved to add his own objections. Banks, like many other blacks and Hispanics who had fought hard for a multicultural curriculum guide, was deeply offended by the curriculum's implicit premise that the gay and lesbian lifestyle is the equivalent of a culture with a long history and tradition.

In December 1992, when Fernandez forced a confrontation by suspending District 24's board for refusing to institute the Rainbow Curriculum, he was overruled by a unanimous vote of the central board, with even mayoral appointees McCall and Matthews opposing him. (Reyes, the Manhattan representative, abstained.) Two months later, when his contract came up for renewal, it was clear that the chancellor was in deep trouble with a broad range of his constituents. A *Daily News* poll found that a majority of New Yorkers didn't believe lessons about gays should be included in an antibias curriculum at all; only 13 percent favored such lessons in the first grade. Fernandez had reluctantly removed the most explicit books, including *Heather Has Two Mommies* and *Daddy's Roommate*, from the first grade reading list, but that was too little, too late. The *Daily News* found that those who supported him were lukewarm, while those who opposed him were passionate.

Queens Borough President Claire Shulman—whose appointee, Carol Gresser, was viewed as the swing vote on Fernandez's contract renewal—said her office was besieged with angry phone calls demanding Fernandez's ouster; the small number of calls in his favor, however, were seconded by pressure from First Deputy Mayor Norman Steisel, former Deputy Mayor Bill Lynch, Assembly Speaker Saul Weprin, developer and Cuomo advisor Meyer Frucher, and business leaders like Felix Rohatyn, Eugene Lang, and Reuben Mark of Colgate-

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Palmolive. "The snobbery in Manhattan is not to be believed," Shulman was quoted as saying. "They give us in the boroughs no credit for any thinking, just evil intentions."

Indeed, Fernandez and his allies in the press, the political class, and the Manhattan-based advocacy groups continue to narrate the story in their own cynical terms of intolerance, ignorance, and political maneuvering. Two days after Fernandez's ouster, one report in the *Times* about Queens acknowledged that most parents were happy to see the chancellor go, but devoted most of its attention to his supporters, including a parent who condescendingly explained that Fernandez's opponents were motivated by "fear of crime and a sense of powerlessness, mixed with haunting memories of simpler, safer times."

Echoing a common theme, Deputy Chancellor Stanley Litow attributed Fernandez's ouster to "politics: mayoral, Queens, and religious." The political analysis was quite one-sided, however: The press repeatedly accused Segarra and Staten Island representative Michael Petrides of following the signals of mayoral candidate Rudolph Giuliani, but hardly anyone mentioned Carl McCall's far more obvious fealty to the mayor. A *Times* editorial about Fernandez's ouster was entitled "Fire the Board of Education." "What New York City's schools and its students need most are people at the top who are capable of focusing on real issues," the editors preached. The system, according to the *Times,* "does not need micromanagers swept this way and that by the political currents of the moment." The *Times*, in a strange turn of logic, branded as political cronies the four board members who resisted the intensive lobbying of the mayor's office, the press, business leaders, and powerful politicians—including, in the case of Segarra and Petrides, the borough presidents who appointed them.

The battle over Fernandez's policies and the coalition of elites that supported him have their roots in a long history of educational reform. The idea of the educator as social worker or doctor to a sick society took root in the early decades of this century, at the same time as urban schools were becoming increasingly centralized and bureaucratized. For all its idealism, this frame of mind has always imbued in school bureaucrats the illusion that they are "experts" who understand the needs of children in a way that ordinary citizens—including parents and teachers—cannot fully appreciate.

This arrogance surfaced when members of the Board of Education expressed concerns about some of the details of Fernandez's AIDS education program. "Joe Fernandez's program was accepted for presentation by an international AIDS conference in Amsterdam," one of the chancellor's spokesmen pontificated in an interview with *Newsday*'s Gail Collins. "Everything we have to say about this subject is considered *sacred* by everyone outside this board." Fernandez and his spokesmen displayed the same hubris in their dismissive refusal to take seriously parental objections to teaching their children to "respect" homosexuals. In labeling the opposition the "religious right," Fernandez branded parents, particularly those with strong religious beliefs, as unenlightened and backward. This view has its precedent in turn-of-the-century reform efforts, in which, as Christopher Lasch has written, "educators and social reformers saw that the family, especially the immigrant family, stood as an obstacle to what they perceived as social progress." Some of those reformers, Lasch continued, "had a low opinion of American parents and hoped to counteract their influence . . . through elaborate programs of sex education in the schools."

The struggle to free New York City schools from a bureaucracy perceived as remote and elitist was supposed to have been fought many years ago in the Ocean Hill-Brownsville battle that pitted minority parents and organizations against the central school bureaucracy. The 1969 decentralization law that came out of that struggle led to the current structure of the school system: a seven-member central school board and 32 local districts which, per the United Federation of Teachers, have no say in the hiring and firing of teachers but a great deal of

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power in choosing superintendents and—this seems to have been forgotten—the curriculum and textbooks. In theory, decentralization was meant to inspire greater community involvement by increasing local power and diminishing a centralized bureaucracy too large and sluggish to respond to local needs. In practice, decentralization has only proven that the Board of Education has the density and staying power of the pyramids, as Jason Epstein wrote in the *New York Review of Books* during the Ocean Hill-Brownsville days. At that time, the board had 3,000 employees; in 1989 the "decentralized" board had 4,800. (Fernandez says he reduced that number to a still staggering 3,590.)

It should surprise no one that the in-name-only decentralization that evolved out of the Ocean Hill-Brownsville crisis has caused history to repeat itself 25 years later. Once again, parents have revolted against a remote and alien power, beholden to interest groups, that continues to control the education of their children. Whereas the earlier conflict centered on race and ethnicity, class and geography formed the great divide in the overthrow of Fernandez. In Queens, for instance, the vocal opposition to the chancellor included traditional white ethnics, Hispanics, blacks, and newly arrived Russian immigrants. Ironically, the Rainbow Curriculum, itself a testament to the assumptions about cultural identity first popularized during urban crises of the 1960s such as Ocean Hill-Brownsville, has exposed new alignments and schisms that confound those very assumptions. A Latino speaker during a demonstration against the AIDS education program provides a case in point. "Black and Latino children are being used," he declared. "They are always using us." The "they" he was referring to were no longer predominantly white and Jewish administrators, as in 1968, but a highly integrated group including a leader who was himself Latino. It appears that the system molds its leaders and workers, whatever their color or ancestry.

Critics of decentralization have justifiably pointed out that too many local boards treat their districts like "vassal states," as Fernandez has put it. Cronyism, corruption, and bullying are rampant; voter turnout in school board elections remains low. The chancellor was acting responsibly, for example, when he suspended District 9 in the Bronx for theft, drug-dealing, extortion, and mismanagement. Still, if decentralization has failed the test of time, it may be because the test itself was flawed. Individual schools and community districts were given scant discretion over the budget allocated by 110 Livingston; on other matters as well, they are tied in a knot of bureaucratic regulations. It is symbolic of the contradictions inherent in this arrangement that many believe the only hope for the supposedly decentralized schools is a great and powerful chancellor.

Fernandez's gutsy innovativeness, which allowed him to challenge the system, also propelled him to suspend a district board merely for disagreeing with him

The bitter departure of Joseph Fernandez, brought about by an unmanageable system as well as by his own obstinacy, marks an opportunity to rethink this position. New York City has gone through five chancellors in ten years. Since decentralization, the schools have had 11 chancellors whose terms ranged from two months to five years. The chances are minimal that the next chancellor will be able to change this trend, for the city school system is simply too big to be governed centrally. To set its size in some perspective, consider the following: It is bigger by half than the second-largest system, Los Angeles, and twice as large as Chicago, the third-largest. Some of the local districts have as many students as midsized cities such as Rochester and Baltimore, and a separate Brooklyn district would itself be the fourth-largest in the country. Richard Halverson, a former deputy chancellor, puts it in the most mind-boggling terms: "Aside from the military, the New York City school system

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is probably the largest management enterprise in a democratic state."

Ignoring the fundamental unmanageability of such an enormous system, many politicians have focused on tinkering with the structure of the seven-member central board (or, perhaps, on punishing its members). Governor Cuomo, Mayor Dinkins, Robert Wagner Jr., Felix Rohatyn, and the *Times* have all called for more mayoral control of the board. Dinkins wants an 11-member board with six mayoral appointees; others have suggested giving the mayor four of nine appointments. Complicating any reform efforts is the teachers' union's reluctance to hand over so much power to the mayor as well as the morass of politics in the State Legislature, which would have to approve any structural changes.

Proposals for more mayoral control are flawed for several reasons. For one thing, it is not clear why a board is necessary at all if it is merely handmaiden to the mayor. Ninfa Segarra has pointed out that in the budget crisis of 1990 the board and the chancellor argued passionately against the draconian cuts demanded by the mayor's office. She estimates they were able to muster an additional billion dollars for the schools in that particular setto. In addition, far from clarifying where the buck stops, more mayoral control would only further mystify accountability. Would parents really hold the mayor responsible for custodial problems or cafeteria inefficiency, not to mention a controversial curriculum, in a school in Elmhurst, Queens, or Sunset Park, Brooklyn? But the biggest problem is that proposals to centralize power further ignore the populist lesson implicit in the fall of Fernandez. Mayoral control would only paper over the essential incoherence of a system meant to serve almost a million geographically, ethnically, and racially diverse students. In the conflicts that hastened Fernandez's fall, for instance, a mayoral plurality would not have acknowledged the frustrations of the parents in the outer boroughs. Rather, it would simply have denied their existence, rather like shutting a noisy, less-favored child in the closet.

No matter what the structure of the board, given the enormity of the system and the political pressures and recalcitrance which stem from its size, any strong new chancellor is ultimately doomed to fail. The chancellor of the New York City public schools is asked to work inside an insoluble contradiction—to beat the system and represent it simultaneously. Fernandez's own gutsy innovativeness, which allowed him to challenge the system in constructive ways, also propelled him to suspend a district board, not for corruption or ineptitude but for disagreeing with him. In the same vein, Fernandez's highly touted plans for school-based management may well fail because of the ambiguity of central and local control: Although much of the power of shaping a school's ethos and structure is supposedly given to its teachers, the central board seriously limits their independence by holding the purse strings, setting many of the rules, and operating a remote curriculum department.

Fernandez's ouster dramatizes how the huge, centralized city school system has become a battleground for political and ideological interest groups and a stage for the city's media circus, at the same time as it is puffed up with its myth of sociological expertise. It is, quite simply, alienated from the people it serves. It is impossible to believe that a new chancellor will be able to negotiate all this when "Super Joe"—who had the full support of the press, politicians, and, initially, the public—failed so miserably. Instead of saying, in effect, "The king is dead; long live the king," New Yorkers need to follow this revolution to its logical conclusion, remaking the system in a way that recognizes the need for more public involvement and direct lines of accountability. Small, autonomous units of governance seem the only solution. The day after the board voted not to extend Fernandez's contract, Manhattan Borough President Ruth Messinger met with her ideological opponent, Queens representative Carol Gresser, to discuss the possibility of breaking the system into independent, borough-wide districts. These unlikely allies are moving in the right direction. ■

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Privatizing HHC

William B. Eimicke and
Anne Lenhard Reisinger

New York's public hospitals are expensive to operate and provide care that is often substandard. By turning its hospitals over to private hands, the city could save hundreds of millions of dollars a year and improve the quality of care for the poor.

New York City's public hospitals are in crisis, charged with wrongful deaths, inefficiency, waste, and lax monitoring of staff and patients. A recent series of highly publicized cases presents a picture of poor management with sometimes deadly results. At Harlem Hospital, a psychiatric patient wandered off unnoticed and was later found dead in an air shaft. At Bronx Municipal Hospital, one patient's cardiac monitor was disabled and the patient later died; another died of cardiac arrest because an anesthesia machine was set up incorrectly. And at Kings County Hospital, the case of Yankel Rosenbaum, the Crown Heights stabbing victim who died in the emergency room, prompted a State Health Department review, which concluded that disorganization at the hospital had led to two unnecessary deaths, including Rosenbaum's, and played a role in two others.

The city's municipal hospital system is the largest and most complex in the country, encompassing 11 acute care hospitals, five long-term care facilities, and six diagnostic and treatment centers. The system has 10,500 beds, more than 45,000 employees, and an annual budget in excess of $3 billion. In recent years, the public hospitals have faced a dramatic increase in demand for care, brought on by the growth in poverty, the numbers of the uninsured, substance abuse, AIDS, and homelessness.

But the city's hospital system, created to ensure that the poor would have access to medical care, is the product of a bygone era. Today, private hospitals are reimbursed through state and federal programs for virtually the entire cost of caring for indigent patients. Therefore, the time has come to consider divesting the city of its responsibility for hospital care. Several of New York's private hospitals have publicly indicated a willingness to take over some city facilities, and those hospitals that are not suitable candidates for privatization would be better managed by the state.

While complex accounting practices make it difficult to determine exactly how much such a reorganization would save, conservative estimates indicate that the city could free up between $250 mil-

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lion and $400 million, and perhaps more—while likely improving the quality of care for low-income New Yorkers.

Hospital History

New York City's public hospital system was set up during the nineteenth century to provide medical care for the poor. It was originally run by the city's Department of Welfare and later spun off into the Department of Hospitals. With the advent of the New Deal, the LaGuardia administration, and the economic recovery spurred by World War II, the Hospital Department expanded its facilities, but after the war its funding was cut and its physical facilities deteriorated.

During the 1950s, voluntary (private not-for-profit) hospitals expanded substantially, prompted by an increasing demand for medical care and the spread of group health insurance. Many working-class patients and medical workers moved from the public to the voluntary hospitals. But the poor, forced to rely on the city system, overwhelmed the public hospitals, resulting in a severe staff shortage.

The city solved this problem through affiliation agreements with medical schools and teaching hospitals. These institutions, part of the voluntary hospital system, provided medical staff for the city hospitals. In exchange, voluntary hospitals were paid a reasonable fee and got the use of the public hospitals, with their diverse mix of cases, to train residents.

In 1965, the Federal Government established the Medicaid and Medicare systems, which provided the city hospitals with a massive infusion of new funds. That year, the public hospital budget was $242 million, two-thirds of which came from city taxes; by 1971, the budget had swollen to $663 million, half of which came from Medicaid and Medicare. With the availability of a new dedicated revenue stream, Mayor John Lindsay embarked on an ambitious program of building new, better-equipped hospitals and initiating a network of community-based family care centers.

Lindsay also attempted to address the poor quality of care in the public hospitals. In 1966, he created the Commission on the Delivery of Personal Health Services, which concluded that "conditions in the city hospitals and clinics are not only deplorable but also, as a practical matter, irredeemable under existing conditions." The commission recommended that the system be reorganized as a public benefit corporation. The corporate structure, the commission members believed, would free management from the constraints of city bureaucracy and provide better accountability, while preserving the city's control of public health policy and its role as the health care provider of last resort. On April 26, 1969, the State Legislature created the New York City Health and Hospitals Corporation (HHC).

The New York Times
December 13, 1968

New Health Unit Urged By Mayor

Public Corporation Would Manage City Hospitals

By Seth S. King

A public corporation to manage the 19 municipal hospitals and all other city health facilities was proposed yesterday by Mayor Lindsay.

The corporation, which would be controlled by city officials, would remove the staffing and management of city health facilities from the cumbersome procedures of budget control, the Mayor said, adding that it would also provide a more flexible system for rehabilitating existing facilities or building new ones.

The Mayor also said that creation of the corporation, which would require new state legislation, could lead to decentralization of the city's hospital system because the new corporation would have the power to create "subsidiary corporations" managing only facilities in their area. He emphasized, however, that the city "had no immediate plans to decentralize the system."

At a City Hall news conference, the Mayor insisted he had no intention of creating an autonomous authority that would take all control of health facilities from the city, as the Transit Authority does with subway and bus operations or the Port Authority does with operation of airports and marine facilities.

The proposed corporation would be directed by a 13-man board. Seven of its members would be city officials and the Health Services Administrator would serve as chairman. Five other private citizen members would be appointed by the Mayor. The 13th member would serve as executive director.

(cont.)

It's widely acknowledged that after nearly 25 years, HHC has failed in its mission to redress the poor quality of care in New York's public hospitals.

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Virtually from its inception, however, HHC has experienced a shortage of working capital, which has had to be made up by city subsidies. With the onset of the fiscal crisis in 1975, the city's Office of Management and Budget took very tight control of the HHC budget. In the ensuing years, the State Health Department adopted a policy of reducing the number of city hospital beds. HHC expenditures were virtually frozen, staff levels were reduced, inpatient care declined, and the city and state exerted even greater control over HHC policy and operations.

This trend slowed during the 1980s. Improved financial conditions and the efforts of Stanley Brezenoff, first as president of HHC and later as first deputy mayor, led to a nearly 50 percent increase in HHC expenditures between 1984 and 1990. A $1.5 billion capital program was established to rehabilitate and upgrade Kings County, Queens, Elmhurst, Coney Island, and Bronx Municipal hospitals.

The State Health Department continued to use its regulatory and rate-setting authority to shrink the city's public hospital system. HHC, which had supervised 19 acute care hospitals in the early 1970s, was reduced to 11 during the 1980s; the number of public hospital beds was cut by 27 percent. Meanwhile, the city's direct financial responsibility for HHC was diminished as Medicaid revenues rose, and in 1982 the state established a bad debt reimbursement pool, which now pays both public and voluntary hospitals 90 percent of the cost for patients who cannot pay. By 1990, city subsidies accounted for only about one-fourth of the HHC budget. But both the Koch and Dinkins administrations expanded the city's political control over HHC—most recently, in 1992, by creating the position of deputy mayor of social and health services, who oversees HHC directly from the mayor's office.

The Continuing Crisis

In the past few years, the crisis at HHC has become acute. In addition to the aforementioned deaths at Harlem, Bronx Municipal, and Kings County hospitals, problems have arisen involving affiliation arrangements with voluntary hospitals, and three hospitals have been denied full accreditation.

In December 1991, Long Island Jewish Medical Center, a voluntary hospital, announced it was ending its 26-year relationship with HHC's Queens Hospital Center, claiming the city hospital was not a good training ground for medical specialists. At issue was a conflict that exists in all the affiliation agreements between HHC and voluntary hospitals: To remain competitive, medical schools must provide training for specialists and surgeons, while HHC patients are most in need of general practitioners.

New York State reimbursements are so generous that private hospitals now aggressively pursue Medicaid patients

In April 1992, Mayor Dinkins announced that Mount Sinai Medical Center had agreed to take over the contract with Queens Hospital. Mount Sinai, already affiliated with HHC's Elmhurst Hospital in Queens, anticipated that the combined operations would create economies of scale, freeing up the resources needed to provide poor patients with personal physicians. Mount Sinai also agreed that the majority of new doctors would be general practitioners and pediatricians rather than the specialists that predominated under the old contract.

The city says it intends to use the Mount Sinai deal as the model for a master contract which will ultimately apply to all 11 HHC affiliation relationships. But it remains to be seen whether the other medical schools will be as willing as Mount Sinai to commit themselves to training more general practitioners.

In March 1992 the Joint Commission on the Accreditation of Health Care Organizations stripped Woodhull Hospital in Brooklyn of its

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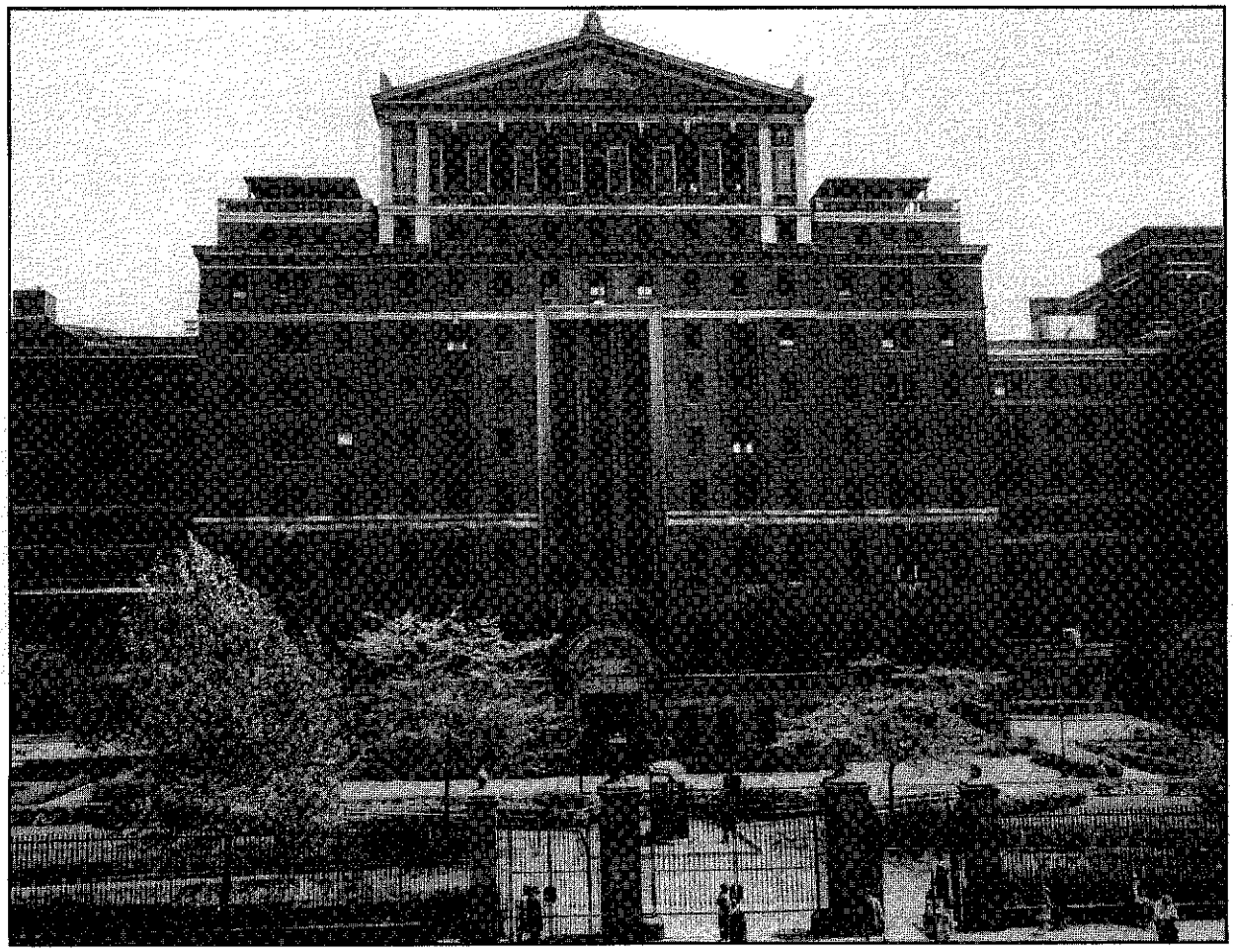
accreditation because the hospital did not have adequate procedures to prevent unnecessary surgery and other mishaps. Conditional accreditation was restored five months later. In April, the accreditation commission voted to strip HHC's Lincoln Medical and Mental Health Center in the Bronx of its accreditation and to grant only conditional accreditation to Kings County Hospital Center in Brooklyn, in each case citing hazardous conditions in the hospital's physical plant. The denial of accreditation jeopardizes Lincoln's participation in the residency programs that supply most of the doctors who work at the hospital. (New York is the only state in which nonaccredited hospitals are permitted to receive Medicaid funds.)

Reforming HHC

The Dinkins administration has made several proposals for reform of the city's health care and hospital system. In April 1992, the mayor called for a family doctor for every poor New Yorker, a goal pursued unsuccessfully by many past mayors, and a system of managed care for city hospital patients, already a requirement under state law.

In July 1992, the administration announced a plan to grant budget autonomy to HHC. While the details have yet to be finalized, the approach suggests the type of independent hospital corporation that was envisioned when HHC was proposed in 1966, but never realized. The city budget division has agreed to let HHC keep any revenues it raises



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Bellevue Hospital

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beyond its projections, giving the corporation an incentive to generate new revenues, to qualify patients eligible for third-party payments, and to improve the quality of its care. HHC would continue receiving its current city subsidy (about $220 million a year, not counting Medicaid payments) as well as an annual payment to compensate it for the care of police officers, firefighters, city prisoners, and the uninsured poor. Otherwise, HHC would operate as if it were a voluntary system.

In December 1992, a mayoral commission headed by Dr. Jeremiah Barondess, president of the New York Academy of Medicine, issued a report that recommended strengthening the powers of the board of directors and president of HHC and the executive directors of the individual hospitals. The commission also called for expansion and tighter oversight of the affiliation agreements with voluntary hospitals.

All these proposals contain some worthy ideas, but all ignore the fundamental question: Should the city be in the hospital business at all?

The city's public hospital system was created to provide care for the indigent who had no other health care option. This rationale no longer exists. Federal and state programs and private insurance cover the vast majority of medical costs. While private hospitals once sought to avoid caring for Medicaid clients, they now aggressively pursue those patients, because New York State reimbursements are quite generous. Indeed, when the State Legislature was debating its managed care initiative for Medicaid, HHC officials voiced fears that it would cause them to lose Medicaid patients to private hospitals.

For those patients covered by neither Medicaid nor private insurance, the state's bad debt and charity pool covers 90 percent of the cost of care. By HHC's own estimate, the current net cost to the city for indigent care is only $100 million of the $3 billion public hospital budget. In many cases, care for the indigent could be provided more efficiently and economically by private hospitals reimbursed by the government.

Therefore, the city should seriously consider turning its public hospitals over to the private sector. Across the country, public hospitals are converting to not-for-profit status so that they can better compete for private paying patients, mix public and private funds, operate for-profit enterprises such as laboratories and home health care services, and, by cutting red tape, help underwrite the costs of caring for the indigent. Between 1983 and 1986, for example, 128 public hospitals converted to private or not-for-profit status, with 80 choosing the nonprofit model. Large cities such as Kansas City, St. Louis, and Detroit have successfully moved hospitals out of the public domain.

New York State's broad Medicaid coverage and high reimbursement rates, combined with the bad debt and charity reimbursement system, ensure that the city hospitals would be able to continue providing care to the poor even under private control. The affiliated medical schools and teaching hospitals that already provide the professional staff for most HHC facilities have the capacity and experience to operate one or more HHC hospitals more effectively and efficiently than the existing public corporation.

Privatization would make it easier to control costs, particularly labor costs. It would provide for more direct decision making by hospital executives, leading to greater efficiency and less bureaucracy. Many health care experts believe that employees would perform better if they could escape the stigma of public hospital employment.

Objections to Privatization

The Barondess Commission examined the possibility of privatization, and even identified several hospitals as likely candidates. Yet the mayoral panel ultimately rejected privatization as a serious option, offering several arguments against it, all ultimately unpersuasive.

First, the commission maintained that the primary argument for privatization is that the private sector is more efficient than the public sector because it responds to competitive pressures. The

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report then noted that the institutions most likely to acquire HHC facilities are nonprofit corporations, which, it argued, may not behave like for-profit companies. The nonprofit status of private hospitals, however, is not evidence that they do not function as competitive, private-sector entities. HHC's frequently expressed fear of losing Medicaid "market share" to these competing institutions undermines this argument.

Large cities such as Kansas City, St. Louis, and Detroit have successfully moved hospitals out of the public domain

Second, the panel reported that HHC said its costs are similar to those of comparable voluntary hospitals and therefore savings might not be achieved by privatization. But mergers could produce substantial administrative savings in the individual hospitals and in HHC's central bureaucracy.

Third, the commission worried that a privatized HHC hospital's mission to serve all who need care, regardless of ability to pay, would erode over time and that it would be difficult to hold hospitals accountable for that commitment. This premise—the strongest argument against privatization, according to the Barondess Commission—has little validity. The State Department of Health is nationally recognized for the excellent job it does in monitoring and correcting deficiencies in public and private hospitals across New York State, as evidenced by its recent reports on the failings of several HHC facilities. Moreover, private hospitals throughout the city and state are already caring for large numbers of indigent patients, paid for by the state's bad debt and charity pool. The federal, state, and city governments channel enormous amounts of money into the city's private hospitals through Medicaid and Medicare, giving government agencies substantial leverage in dealing with these institutions. Well-crafted agreements with the organizations that take over HHC facilities could give regulators even more influence over these newly private hospitals. And the state and city health and social service agencies, the state and city comptrollers, and the federal Department of Health and Human Services continuously monitor the cost and quality of care provided to Medicaid and Medicare patients.

Finally, the report concludes that privatization is not viable because the strongest hospitals are the most likely candidates, and HHC would ultimately be left with only the weakest institutions. But if those weak institutions are indeed necessary and are also unable to operate independently, then they are exactly the type of service that government *should* provide. If HHC could devote its full attention to those weaker institutions, there would be a better chance that they could be improved and strengthened. In addition, there is another option besides city responsibility for the weaker hospitals: The state could take them over.

A Privatization Plan

Six of HHC's 11 acute care hospitals seem strong candidates for privatization. The most obvious such opportunity, as the Barondess Commission noted, is the transfer of HHC's North Central Bronx Hospital to Montefiore Medical Center, its not-for-profit affiliate. The two corporations occupy adjacent, virtually inseparable facilities; the potential economies and efficiencies of a merged staff and physical plant are clear. The commission also reported that New York Medical College has expressed interest in taking over both Lincoln and Metropolitan hospitals.

Confidential discussions over merging Kings County Hospital Center and its affiliate, SUNY Health Science Center (also known as Downstate Medical Center), are currently at an advanced stage. Further, since Mount Sinai now staffs both Elmhurst and Queens hospitals, a consolidation of those three operations under the Mount Sinai banner is quite feasible. (Most experts also agree that Bellevue could easily be merged with the New York University Medical School, but privatizing what

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many view as the flagship of public hospital care in the United States may be politically infeasible.)

Following the examples of many public hospital conversions across the country over the past decade, HHC could lease its facilities to their not-for-profit affiliates for a renewable multiyear term. The lease would specify methods of accountability and minimum levels of care for the indigent. If these six hospitals were successfully privatized, only five acute care hospitals would remain in the city's direct control—Bellevue, Harlem, Bronx Municipal, Coney Island, and Woodhull.

These five hospitals should be taken over by a state-owned corporation. State control would distance the public hospitals from the vagaries of city politics and free the city from some of the financial burden of caring for the poor. The city would still contribute its share of Medicaid reimbursements, but it would no longer be required to supply direct subsidies to the public hospitals.

State control would permit city hospitals to benefit more from the widely recognized expertise of the New York State Department of Health in regulating hospital care. The department already regulates the quality of care and sets Medicaid rates for all hospitals across the state, so it has a broad base of knowledge about hospital access, governance, finance, and staffing. A state hospital corporation would necessitate more direct Health Department involvement in management of the public hospitals—a logical extension of the state's current activities, and one that would likely improve the quality of care.

The transfer from city to state management must include real changes in management structure that would allow the individual hospitals to operate more flexibly and efficiently. The Metropolitan Transportation Authority provides a good model of how a state hospital corporation might be designed. A prestigious, relatively independent board of directors is appointed by the governor and the mayor but controlled by neither; quasi-independent subsidiaries for each of the operating units (in this case, for each hospital) combine the best attributes of both centralization and local control.

Hospital administrators should be given wide discretion to manage their own facilities, for they know better than anyone the communities they serve and the particular problems facing their hospitals. The mayor's new budget arrangement, the essential elements of which should be carried over into the state hospital authority, will provide HHC hospitals with financial incentives to operate more efficiently. In order to accomplish this, however, they will need greater autonomy in decision making.

More than two decades ago, the Health and Hospitals Corporation was formed in an attempt to free the public hospitals from the inefficiencies and politics of municipal management. HHC has never lived up to its promise. The plan outlined here—privatization of some city hospitals, state takeover of others, and greater autonomy for the individual hospital managers—would allow the city to achieve the reform of its public health system that it allowed to slip away twenty years ago. ■

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New Frontiers in Affordable Housing

Howard Husock

For decades, most low-income housing in New York has been provided by the government. But the efforts of two nonprofit organizations herald a promising new trend: Thousands of new affordable houses are being built, allowing New Yorkers of modest means to enjoy the benefits of homeownership.

Last summer, after many years in a housing project, John and Aola Evans and their teenage daughter moved into their own home. They are a black family, still living in Bedford-Stuyvesant, on a street which was once a free-fire zone for rival drug gangs from the nearby projects. But their new place on DeKalb Avenue, part of the Sojourner Truth Houses, could not be more unlike the high-rise housing projects they left behind. In the projects, they recall, they worried about whom they might meet in the lobby and about the many available escape routes the building's exits offered for criminals; once in their apartment at night, they didn't go out. Today, the Evanses are the satisfied owners of a brand new three-story, two-family row house with a brick facade and a parking space in back. They rent out the top floor, and the income they receive makes their effective monthly mortgage payment lower than what they paid to live in public housing.

The Evanses' story is part of a quiet revolution in New York: Private builders are constructing thousands of modest houses for lower-income families. These homes, many of which have one or two rental apartments as well as a unit for the owner, are being built on vacant land in New York's poorest, most deteriorated neighborhoods, including the South Bronx, East New York, Bedford-Stuyvesant, and the other dilapidated communities sometimes called the "ring of devastation."

This new housing is of two kinds. The first is small multifamily homes, built for families with incomes of $30,000 to $50,000, by small, for-profit private builders recruited by the New York City Housing Partnership. The Partnership is a nonprofit entity to which the city gives vacant land. It, in turn, gives the land to private builders. Housing Partnership homes are frequently two-family row houses with brick façades or vinyl siding. Many have small "parking pads" in fenced-in front yards. The second kind is even more basic, less expensive, single-family homes for families with incomes as low as $20,000, built by the nonprofit Nehemiah Homeowners Association and sold to individual buyers, nearly all of whom come from housing projects. Nehemiah, a private nonprofit builder backed by a consortium of

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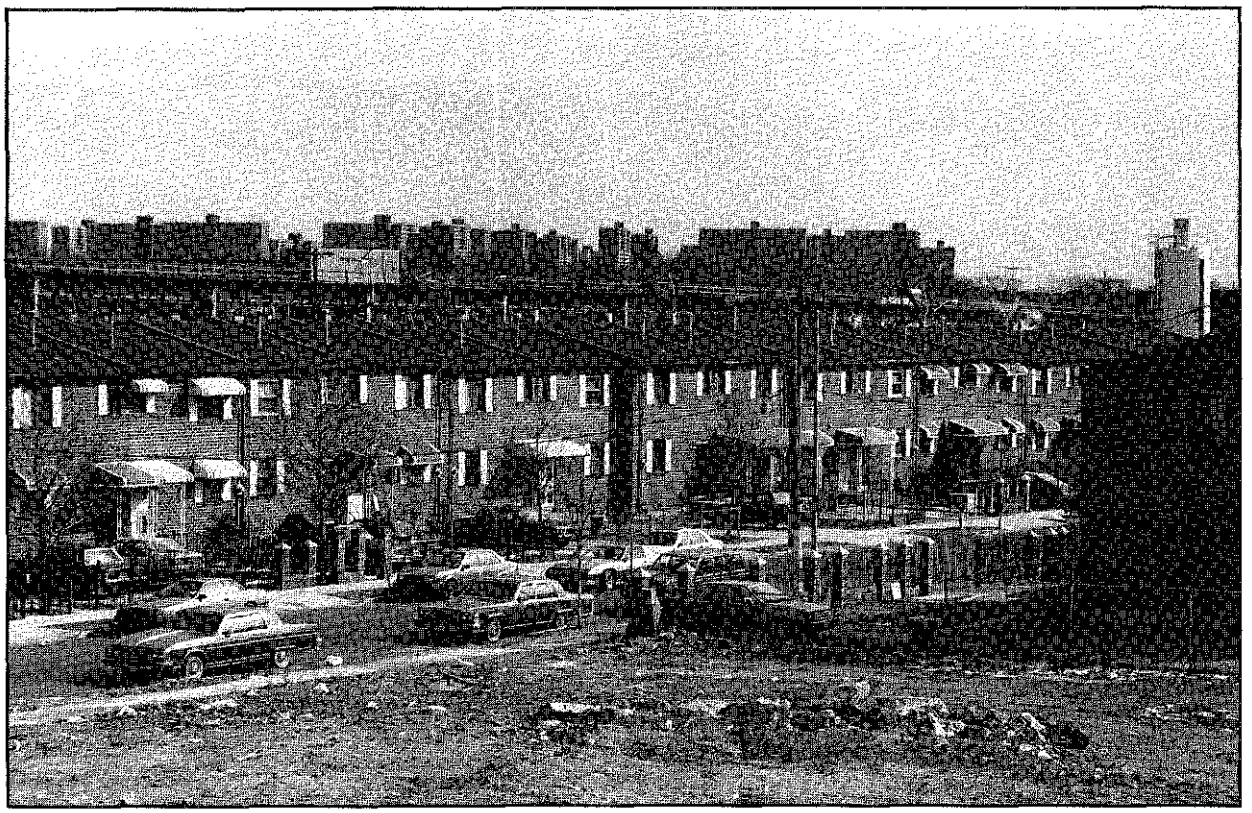

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Nehemiah homes in East Brooklyn

churches, has put up long tracts of homes in Brooklyn and is currently building in the Bronx. Partnership two-family houses sell for about $140,000; Nehemiah single-family homes for $63,000.

To some extent the two groups view each other as competitors, particularly for open land. Their approaches differ as well: Nehemiah visionary I.D. Robbins rejects the idea of "infill"—building some blocks of new houses amidst old. He believes that only by starting from scratch and building new neighborhoods of hundreds of homes can islands of stability be created in devastated areas. The Partnership program implicitly operates on the assumption that smaller amounts of new construction—forty to sixty owner-occupied homes—can anchor and improve existing neighborhoods, as appears to have happened in the DeKalb Avenue section of Bedford-Stuyvesant, where John and Aola Evans bought their house.

Despite these differences, the two groups represent a new generation of lower-income housing builders in New York. Their approach rejects the traditional practice of constructing large-scale rental buildings in favor of individual homeownership. Housing is treated not as an entitlement but as a goal for which the working poor strive and save. Rather than being left dependent on rental subsidies, the poor are offered the opportunity to take the risks and enjoy the rewards of ownership—including the possibility of upward mobility, what Robbins calls "filtering up." In stark contrast to public housing, this approach requires minimal public capital subsidies and no long-term operating subsidies.

The Partnership, to date, has arranged for private builders to put up some 4,500 units, with 8,500 more in the works. Nehemiah has erected some 2,300 homes in Brooklyn and is building 600 more in the South Bronx. Yet to a great extent this movement toward homeownership in poor neigh-

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borhoods has been overshadowed by the massive, multibillion-dollar Rebuild New York effort, begun in 1987 under Mayor Ed Koch and continuing in the Dinkins administration, which has built or renovated 90,000 housing units at a cost to the city of $2.7 billion. These buildings have generally been turned over not to poor individuals but to nonprofit community groups.

Though the efforts of the Housing Partnership and Nehemiah have received some small subsidies from the city, the push toward new, owner-occupied houses has been primarily the result of private efforts. The Housing Partnership was organized by business leaders, including founding chairman David Rockefeller; the coalition of churches that backs Nehemiah provides financing from a capital pool of church, not public, funds. The city, however, has yet to make encouraging individual homeownership among low-income citizens a significant priority. In its 1992 Comprehensive Housing Affordability Strategy, the city ranked "increasing the opportunity for very-low- and low-income households to purchase and own their own homes" last in a list of five city housing priorities. The city must decide whether it will help fulfill the promise of the new generation of owner-occupied small homes in poor neighborhoods or continue present policies which modestly encourage but place no particular premium on such homes, and which make their construction difficult through a variety of regulatory obstacles.

There are strong financial and logistical reasons why the city should change its priorities: Not only are federal housing construction subsidies limited, but a diminishing number of abandoned buildings owned by the city are ripe for renovation. Moreover, because of its financial troubles the city may not have the resources to continue its policy of renovating large numbers of buildings at a cost of $60,000 to $90,000 per unit.

Builders and Reformers

It is widely taken for granted that substandard housing was the norm in the days before large-scale public involvement in housing construction. And indeed, when massive numbers of poor people were immigrating to the city during the nineteenth century, poor people could only afford poor housing. But as the city's population grew from 3.4 million in 1900 to 5.6 million in 1920, and as immigrants became more affluent, builders responded with new forms of housing—the kind of housing many New Yorkers remember most fondly. In the 1920s, as Columbia historian Richard Plunz notes, 658,780 new dwellings went up. The Lower East Side was emptying out and New Yorkers were moving up—to the apartment buildings of the Bronx, the row houses and two-family homes of Brooklyn, and the one- to four-family structures with businesses on the first floor. By 1930, there were 45,000 buildings in the last category in Brooklyn alone.

Such building did more than provide housing units; it laid out the framework of the city's social structure. There were rich neighborhoods and poor neighborhoods, and a range of grades in between. Families climbed this housing ladder based on both their earnings and their willingness to adhere to the social norms of neighborhoods. For the poor to move up the ladder, they may have had to tolerate crowded conditions, take in boarders, or rent out a second floor in order to save money for a better home.

But housing reformers, who always focused on the worst slum housing as the symbol of private ownership, were unwilling to countenance this process of gradual improvement. As reformer Catherine Bauer put it in her 1934 book *Modern Housing*: "The justling small builders and the front-foot lots and the miserable straggling suburbs and the ideology of individual Home Ownership must go," she wrote. "Only governments can make the decisive step and set up the new method of house production as a long-time social investment, to replace the wasteful and obsolete chaos still prevailing."

Beginning in the 1920s and accelerating in the years following World War II, the government supplanted private builders as the main supplier of new housing. Between 1928 and 1985, according to Department of City Planning figures, some 570,000

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new public and publicly assisted housing units were built citywide, approximately one-third in public housing. Such units now constitute fully one-fifth of the city's 2.8 million dwellings. Vast infusions of public dollars effectively enlisted the building industry in the crusade for publicly supported housing. Builders were recruited to construct "units" for the Housing Authority or to build and run vast rental complexes subsidized by low-interest loans made possible by the sale of tax-exempt bonds, by property tax forgiveness, or by guaranteed income from federal rent subsidies. Small builders continued to put up tracts in Long Island, New Jersey, Queens, and Staten Island. But on the Lower East Side, in Harlem, the South and East Bronx, and much of Brooklyn, new construction usually meant subsidized slab towers set in plazas, announced with fanfare by elected officials and built by huge developers sheltered from risk by public funds. To an extent that made New York unique in the nation, this vast effort was not limited to housing the poor: The city's extensive system of Mitchell-Lama rental developments for the middle class, such as Starrett City in Brooklyn, was also the result of public subsidies.

A quiet revolution is taking place in New York City: Private builders are constructing thousands of modest private houses in the city's poorest neighborhoods

The advent of public and publicly assisted housing undermined the informal system of neighborhood builders in both subtle and obvious ways. Vast amounts of land that might have been used for small homes were diverted instead to public use. The tenant pool on which owners of small, owner-occupied, multifamily housing relied was diverted by the allure of new housing with superior amenities for less rent.

Those who sought to block low-income projects in middle-income neighborhoods, such as the protesters of Forest Hills in the 1960s and Yonkers in the 1980s, well understood the threat such projects posed to the social structure by mixing middle-income residents with those who had not yet taken on the responsibility entailed by intermediate steps on the ladder of homeownership. Still, had public authorities been able to provide safe, well-maintained public housing over time, one might not quarrel with the fruits of reform. It is hardly news, however, that such has not been the case.

As Jane Jacobs has noted, the replacement of private construction and ownership with a massive, centrally planned housing bureaucracy created places that lacked the economic and social ties that bind neighborhoods. New York's "ring of devastation" was an outgrowth of the failure of reform. The Reagan administration's policy of ending federally subsidized construction programs, ascribed by reformers to lack of compassion, would not have been viable had the public not been profoundly uneasy with the results of reform.

Even the city's massive effort to compensate for the decline of the federal role in subsidized housing has not filled the physical vacuum created by the waves of arson and decay in the city's poorest neighborhoods. Into this vacuum have stepped the Partnership and Nehemiah. They represent not a new configuration of reform but a return to the New York of the private builder—and a movement toward restoring the lower rungs on the homeownership ladder.

This has not happened without help from the government: Both the Partnership and Nehemiah are much involved with the city's Department of Housing Preservation and Development. Both are in some ways subsidized. They receive free land from the city, sometimes with improvements, though not land of great value. The Partnership homes receive outright city and state subsidies amounting to $25,000 per structure; Nehemiah receives a city loan of $10,000 per unit, paid back by the first owner when he sells the home, as well

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as a tax abatement and a state mortgage interest subsidy.

But a day spent with the Nehemiah builders, or with the employees of Hudson Construction of Brooklyn or Procida Construction of the Bronx, both builders of Partnership houses, makes clear that they have adopted an essentially private-sector approach to construction. One Friday last October, Alan Bell of Hudson went to examine Procida and Nehemiah houses in the Bronx. (Procida had done the same with Hudson's Brooklyn houses the month before.) The builders compared notes on the smallest cost details, as well as important logistical issues: Who are the most reliable window suppliers? What kinds of roofing or fire wall materials can meet standards with the least expense? Which appliance distributors are least likely to damage the premises when delivering the range?

Bell views his mission as not only building houses but also reconstructing the building profession in the neighborhoods where his firm does business. It is, he observes, as if the techniques of building these small row houses had been lost and needed to be reinvented. The transformation is striking: New structures fill in the streetscape, with cars parked neatly behind fences, in what had been among the city's most dangerous and desolate neighborhoods.

Saving Money and Neighborhoods

There is strong evidence that mid-rise and high-rise buildings, notwithstanding the great density of units they place on a site, are considerably more expensive to build than small owner-occupied homes. A June 1988 study conducted for the Housing Partnership by the architecture firm John Ellis and Associates concluded that small homes can be two to three times more cost-effective than multistory, multiple-dwelling construction. A recent effort by the Cooper Square architecture firm Piscioneri Associates confirms those results. The Local Initiatives Support Corporation, which assists

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Public housing erected on the site of Ebbets Field in Brooklyn

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community groups managing multifamily buildings, asked Piscioneri to design as inexpensive a 10- to 16-unit building as possible. The firm's estimated construction costs were $85 to $100 per square foot, twice as expensive as for Nehemiah houses and one-third more than for Partnership homes.

Owner-occupied multifamily housing offers tax advantages as well. The federal tax code allows homeowners a tax deduction not only for mortgage interest but also for the depreciation and repair costs of rental property. Thus, the new wave of homeownership in low-income New York neighborhoods helps staunch the flow of tax dollars from New York to Washington, returning them directly to families of modest means. At the same time, the city collects property taxes on the private homes, as it would not if they were owned by the government or by nonprofit organizations.

Moreover, homeowners maintain their buildings themselves, either by their own unpaid efforts or by short-term arrangements with small tradesmen. This keeps maintenance costs—and, in consequence, rents—low. Rents for two-bedroom apartments in multifamily Partnership homes average only $600 to $700 per month—quite reasonable by New York City standards. The design of smaller-scale housing also limits maintenance costs because there are no common areas to maintain. As in traditional brownstones and row houses, stairs go directly to one's door and hallways are inside apartments.

But perhaps the greatest economic benefit from the new generation of owner-occupied housing lies in the incentives it creates for low-income people to improve their condition—in stark contrast to the disincentives created by public or otherwise subsidized housing. Because public housing requires rent paid to be a percentage of income, for example, families are encouraged to understate income. They also have little reason to save, since there has been no housing which they could aspire to buy—the gap between their situation and the homes of Queens or Staten Island has been too great. (Racial discrimination, too, has undoubtedly been a barrier to ownership for minority families of moderate means.) Because public housing prohibits doubling up of families, tenants eager to defray costs that way must be clandestine.

Privately built and owned housing offers incentives for extended families to save for a down payment (typically between $5,000 and $14,000) or to pool their income so as to afford the monthly payment, which ranges from $300 to $600 for single-family Nehemiah homes and averages some $700 for a two-family Partnership home, after allowing for $600 a month in rental income. Families often lease rental units to relatives or, even more economically, live in one bedroom of a three-bedroom, two-floor house. Families able to buy instead of rent will enjoy long-term advantages: In addition to developing equity in their homes, it seems likely that minority families who take the traditional route of upward mobility—selling their houses to move to more affluent neighborhoods—will be more welcome in middle-class neighborhoods than tenants who rent using subsidy vouchers or developers who seek to erect subsidized housing complexes.

In contrast to the anonymity of the high-rise, moreover, small-scale multifamily housing enforces social norms since owners carefully screen prospective tenants. Thus new enclaves of relative safety and stability are produced in poor neighborhoods. Police verify the feeling of security one has in such areas: Deputy Inspector Patrick Carroll, commander of the 75th Precinct in East New York, has attributed a four-year decline in major felonies to the influence of Nehemiah housing.

What About the Poorest?

Despite the benefits of privately owned low-income houses, the city continues to list "increasing the supply of affordable rental housing for very-low- and low-income households" as its top housing priority. By ranking ownership as its lowest priority, the city signals its belief that such efforts are merely frosting on the cake. HPD's 1992 capital plan makes this clear. It calls for construction of 2,952 new rental units for the homeless, moderate rehabilitation of 3,981 apartments for low-income tenants, and construction of only 850 new homeownership units.

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In part, this reflects the high priority the city places on housing the poorest of the poor. "The City of New York," reads the Comprehensive Housing Affordability Strategy, "has consistently provided the bulk of its housing assistance to those with the lowest incomes and the greatest needs. The city is now, and has historically been, poised to provide special aid to households with 'worst case' needs."

A common criticism of the Partnership and Nehemiah efforts, as Richard Plunz argues in his *History of Housing in New York City*, is that they help only the "deserving poor," leaving little decent housing for those left behind. Plunz assumes that the upwardly mobile will advance in any event and that the concept of the "deserving poor" distracts from the structural economic problems that truly hold back the poor. But the facts belie Plunz's analysis. Eighty percent of Nehemiah buyers in the Bronx and the largest plurality of Partnership buyers have come from public housing, suggesting not that the economic system has consigned them to poverty, but rather that New York's housing system has not offered them the chance for homeownership.

High-rise buildings are considerably more expensive to build than small owner-occupied homes

If some people, for social or economic reasons, are simply not prepared for homeownership, they still stand to benefit indirectly from the exodus of public housing tenants to the new builder housing. There are some 240,000 people on the Housing Authority waiting list; the city's most recent Housing and Vacancy Report asserts that overcrowding affects 7 percent of all renter households. Drawing the slightly better-off out of public and other low-rent housing would open up units for the poorest. In neither its Comprehensive Housing Affordability Strategy nor its Housing and Vacancy Report, however, has the city attempted to assess the number of families in either public or low-income rental housing who might have sufficient income or savings to buy a modest new home.

Perhaps the most powerful argument for small-scale, owner-occupied multifamily housing is that it appears to be what New Yorkers of modest means want. In the Bronx, the Department of City Planning conducted a survey in 1991 to determine housing preferences among those seeking to own a house or apartment. Sixty-nine percent of respondents ranked the two-family house first; none gave such a ranking to a condominium in a new high-rise building. Twenty-five percent chose a single-family house; 16 percent a three-family house. The survey had been prompted in part by the skepticism of elected borough officials about building new Partnership-style housing on land where traditional New York high-rises could be erected. Subsidized high-rises are popular among elected officials, in part because they could bring large numbers of new voters to districts where the population is declining. The potential residents who were surveyed, however, chose differently. In fact, 76 percent indicated they were "not interested" in high-rise housing at all.

What the City Can Do

Without the city's help in identifying and donating vacant land and supplying modest subsidies, the Nehemiah and Partnership homeownership programs could not have taken hold. But the city's effort on behalf of these programs pales before the billions of dollars it is spending to rehabilitate and subsidize city-owned housing. This is not to say that the city should shift such massive investments to new owner-occupied housing. Such housing does not need public funds. And building it with private capital frees scarce city funds that could instead be used to improve parks, recreational facilities, and public safety efforts in low-income neighborhoods. The city can, however, take several steps to make the type of housing offered by the Partnership and Nehemiah easier to build.

- *Make more sites available.* In its Comprehensive Housing Affordability Strategy, the city

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anticipates that some seventy thousand housing units will be "lost" over the next five years through demolition, condemnation, or abandonment. The city has adopted a policy of strongly favoring publicly subsidized rehabilitation of vacant and abandoned apartment buildings. "As a practical matter," observes one HPD official, "we rehab anything than can stand up: buildings without roofs, floors—without much of anything. It's a fine line between rehab and new construction." A change in policy could allow for demolition of dilapidated buildings that are expensive to renovate and open up sites for the row houses which Partnership-designated builders prefer to erect.

It is important to note that making new areas in poor neighborhoods available for construction of homes does not necessarily mean demolition of existing apartment buildings. Large sections of Brooklyn and the Bronx are currently zoned for manufacturing but, because of the decline of the city's manufacturing base, are little used for that purpose. Rezoning such areas to permit housing construction is one way to let private builders provide homes for those of modest means.

• *Exempt three-family homes from the multiple dwelling law.* City ordinances impose construction codes comparable to those of large apartment buildings on four-story, three-family buildings. A three-story, two-family building needs one exit from each unit; a four-story, three-family unit needs two. The smaller structure needs a nine-square-foot skylight to vent the stairs; the four-story building needs a twenty-square-foot skylight. All told, one construction firm estimates, the multiple dwelling law requirements can add as much as $33,000 to the cost of a three-family house, sharply reducing or even negating the advantage to buyers of having two rental units instead of one.

• *Reexamine handicapped accessibility requirements for three- and four-story homes.* Some of the city's most valuable properties—the brownstones of Brooklyn Heights and Park Slope, for instance—could not legally be built today, for their design does not conform to new city wheelchair-accessibility regulations. The traditional design includes steps down to a basement apartment and a stoop leading to the entrance for one or two other units. Current rules, however, require at least one entrance at street level, so as to permit wheelchair access. This regulation increases costs and poses serious design complications for a three-unit building without ensuring that the handicapped will avail themselves of the units.

The traditional four-story design was popular for good reason: It allowed owners of a three-unit building to have a two-floor unit, sharing only one exterior door with one tenant's apartment. Requiring ground floor access makes such an arrangement impossible. Creative designers may work this problem out: One Partnership builder has proposed including a loft within the largest unit to provide a sense of living on two floors. It seems worth considering, though, whether the accessibility standard might be applied only to a percentage of buildings in a development rather than to all—while at the same time requiring developers to actively seek out handicapped buyers for those houses.

• *Simplify the permit and certification process.* Small builders constructing individual homes on individual lots are at a bureaucratic disadvantage under current regulation. Developers of large apartment complexes can receive, all at once, a single permit for construction and the various departmental approvals necessary for occupancy. Small builders, by contrast, must have their plans for each individual house lot approved by the Buildings Department. To make matters worse, builders say the department will give out only four of the necessary review forms per customer each day.

There is nothing approaching one-stop permitting for house builders seeking the approvals they need to get their certificates of occupancy. Builders must schedule separate appointments with the Highway Department, Sewer Department, Electrical Bureau, and an inspector from the Buildings Department. Often, inspectors limit the number of houses they will inspect in a day, forcing the builder to schedule many appointments for the

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same project. The total fees a builder must pay during the approval process, meanwhile, have gone up sharply—from $600 per building in 1985 to $2,200 today.

Other regulatory complications bear scrutiny as well. The Uniform Land Use Review Process is a protracted environmental review required before builders may construct housing on sites where housing previously stood. There are also requirements for archaeological review of building sites—perhaps a means to gain historical insights, but an additional burden of time and cost in a city suffering a serious shortage of affordable housing.

Government planners simply have not been able to create the kind of cohesive neighborhoods that spontaneously arise when people own their own homes

- *Open new areas for middle-income housing.* Demand for housing one or two steps above Nehemiah and Partnership homes will likely increase as those owners or their children decide to move up. Traditionally, middle-class areas of the boroughs have served as "zones of emergence" (in the phrase of sociologist Robert Woods) for upwardly mobile immigrants and their children. Continuing that tradition may, over time, require new construction of middle-income houses. Thus, it is important for the city not to stand in the way of such development.

Conclusion

The new builders have already realized some regulatory concessions. Nehemiah, for example, won city approval for a drainage system that does not require each individual home to be tied directly into the city's sewer system. The Partnership has convinced the Federal National Mortgage Association to change its underwriting guidelines so that income from a rental unit can be counted when mortgage applicants apply for loans. This significantly reduces the income level required to qualify—a particularly reasonable measure if, as the city says, the shortage of inexpensive rental housing continues to be acute.

Despite some encouraging steps, however, the city has remained reluctant to embrace the new builders and the idea of homeownership. Yet the advantages are clear: New housing construction can serve those of relatively modest means, allowing them to move up the housing ladder. New housing for those just above the poverty level can indirectly help those below it by freeing up space in public housing. Most important, the rise of low-income homeownership can contribute to a healthy social structure, one that encourages individual initiative, responsibility, and upward mobility. Planners simply have not been able to create social structures with anything like the cohesion that spontaneously arises when people own their own homes.

Unfortunately, the advent of the Clinton administration may strengthen the city's tendency to view inner-city homeownership programs as little more than a short-term adaptation to the Reagan-era end of construction subsidies. In December 1992, for example, New York City Housing Authority Chairman Sally Hernandez-Piñero said, "The need for housing has not been addressed on the federal front. . . . There has been no meaningful construction of new apartments and the city does not have the means to construct housing in a major way."

It would be a serious mistake, however, to ignore the lessons of private construction and ownership programs like the Partnership and Nehemiah. As New York once led the nation toward government ownership of housing, today it could lead the way in a promising new direction—if it would only recognize how much has already been accomplished. Those of modest means themselves want new, small houses of their own. That, if nothing else, should tell us that this is a vision worth pursuing. ■

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Back to the Boroughs: Reinventing New York's Government

From the Staten Island secession movement to the revolt against the Rainbow Curriculum, New York's outer boroughs are increasingly frustrated with the highly centralized city government dominated from Manhattan. In the midst of these conflicts, several city leaders are putting forth proposals for giving more authority to the boroughs and local communities. The City Journal *invited representatives from the borough presidents' offices and a number of independent scholars to discuss the problems produced in New York by overcentralization.*

EDWARD COSTIKYAN, Editorial Board, *City Journal*: In a February speech, Brooklyn Borough President Howard Golden called for a state commission that would examine ways of enhancing the responsibilities of the boroughs. "Power to the boroughs," he said, "is power to the city." His counterpart from Manhattan, Ruth Messinger, has offered a plan for decentralizing the city's school system that would diminish the size and power of the central bureaucracy and give far more authority to local districts.

Borough President Golden, perhaps you could begin by outlining your proposal and the reasons behind it.

HOWARD GOLDEN, Brooklyn Borough President: The secession movements are not being driven by pride or politics. The issue is simply that people in the boroughs are fed up with a centralized bureaucracy that fails to respond to their needs. While the city budget has grown steadily—it's now more than $29 billion—the centralized bureaucracy cannot seem to get a street sign replaced on Staten Island, a pothole filled in Queens, a fire hydrant fixed in Brooklyn, or a vacant lot cleaned and fenced off in the Bronx.

The secession movement is building steam now because the charter revision of 1989 robbed the boroughs of their voice in city government. When the charter commission dismantled the Board of Estimate, it failed to provide a meaningful role for the boroughs in areas such as service delivery, allocation of resources, planning and development, contracting, and capital construction.

The city's central bureaucracy is so big and so fragmented that it is often unable to carry out its duties effectively. To cite one example, there are no fewer than seven different city agencies overseeing and

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regulating day-care centers. The Human Resources Administration, Agency for Child Development, Department of General Services, Corporation Counsel, Health Department, Fire Department, and Buildings Department all share the responsibility of ensuring that these centers are operated in a safe and sanitary way. Yet my office uncovered a pattern of leaky roofs, inoperable heating and ventilation systems, backed-up sewers, and broken equipment. I asked who is responsible, and people from the seven city bureaucracies all shook their heads sadly, shrugged, and pointed to the next guy.

This kind of unresponsiveness is what is driving Staten Islanders—and many people in Queens and Brooklyn as well—to talk about leaving the city. I think the secession movement is wrong. But it carries a powerful message to New York's leaders: If we want to keep the city together, we must change the way it is governed.

Therefore, I have proposed that the State Legislature create a commission, consisting of elected officials, community leaders, government analysts, and management experts, which would be charged with developing a plan for broad-based borough management of service delivery, planning and development, and resource allocation.

RUTH MESSINGER, Manhattan Borough President: I am very impressed with Howard Golden's emphasis on the need to find the size and shape of government that is most efficient and responsive, and I agree that part of this effort lies in finding ways to maximize the strength of borough governance. Manhattan neighborhoods, too, have problems with the city government. Central Harlem and the Lower East Side, for example, are saturated with "community service facilities"—drug treatment centers, homeless shelters, and the like. The people in these neighborhoods feel the city is not sensitive enough to the effects such facilities have on the local quality of life. These are the same kinds of community problems that make people in Staten Island and Queens want to secede.

People throughout New York City are angry because their city government taxes them heavily, does not work very effectively on their behalf, and sometimes totally frustrates obvious common sense. The goal, therefore, is to figure out a way to make this very large city—which I would like to keep as one city—work efficiently.

NICHOLAS GARAUFIS, Counsel to the Queens Borough President: I think we are a lot closer to the moment of truth than many people realize: If we do not come up with a way to make our municipal government more responsive, New York City may well break apart. Staten Islanders will be voting on secession this November, and in Queens we have a well-organized, capable, and enthusiastic group of civic leaders who believe that our borough is shortchanged in matters of service delivery, land use, and any number of other city responsibilities. They are pressing our legislative leaders in Albany on the issue of secession.

The question is whether we can provide the public with real, sensible choices. Can we develop a plan of borough governance in those areas where it would work best? An excellent model is the Parks Department, which has worked closely with the borough presidents and local community boards. New Yorkers want a government structure that will give them the best possible service in exchange for the taxes they pay. If we offer them no options other than the status quo and secession, then we haven't done our job.

EDWARD COSTIKYAN: Would a real plan for decentralizing the city government take the wind out of the sails of the secession movement, even in Staten Island, where it's much further along?

MARILYN BLOHM, Chief of Staff, Staten Island Borough President: I am not certain that anything could deflate the movement unless people perceive that their taxes would increase so much that they could no longer afford to live in Staten Island.

But decentralization would be good for Staten Island. A disproportionate amount of the money we

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have to spend at the borough level goes toward services that should be provided by the city—things like sewers and road maintenance. We think we could do a better job of managing many of these services at the borough level.

Because the borough's streets are not on a grid, a missing street sign is sometimes a matter of life and death: It can be very hard for emergency workers to find someone who is having a heart attack. The borough president has not only had to press our local commissioners to buy new signs and put them up, but in recent years he has paid for these signs with borough discretionary money.

JOSEPH VITERITTI, Staff Director, Charter Commission for Staten Island: In some ways Staten Island is a special case, because it's a small borough, with only three votes in a 51-member City Council. One can't say the current system is unfair, because it abides by the one person, one vote rule. But it does present a problem of effective representation, and this is part of what is driving the secession movement. Obviously, we can't resurrect the Board of Estimate in its original form, but we need to figure out how to give the boroughs more power to decide their own affairs.

Another cause of frustration—and this affects all the boroughs, not just Staten Island—is how much administrative chaos there is in New York City government. The stories we have heard here speak to this concern: Responsibility for services is fragmented among so many agencies that no one is ultimately accountable.

I think Howard Golden's proposal is one of the most significant statements that has been made since the new charter about the need to redefine the role of the boroughs in New York City. I have argued that a major flaw in the new charter was that it failed to recognize the historic role of the boroughs in the political culture of New York City.

DICK NETZER, New York University: I agree that the 1989 charter was mistaken in virtually ignoring the existence of the boroughs. Throughout New York's history, however, there have been frequent changes in the relationship between the city government and the boroughs. In my view, most of these changes—whether in the direction of centralization or decentralization—have been wrong in the details. But a few were right.

One that turned out to have been right—although I didn't think so at the time—was the strengthening of the community boards in the 1975 charter. Community boards have been more successful with regard to service delivery than anyone could have expected, given the fragmentation of city agencies and the central bureaucracy's unresponsiveness to communities.

EDWARD COSTIKYAN: I am glad to hear that the community boards are doing better than you expected. I must confess that they are not doing as well as I had hoped at developing a strong voice in service delivery. I think they have been a little diverted into land-use issues. But I still hope they can develop into a more effective service delivery mechanism.

RUTH MESSINGER: A community board can get very sophisticated readings from its neighborhood as to exactly what services are needed. Community boards and borough presidents' offices often negotiate with agency personnel to secure the projects that make the most sense for the neighborhood.

But land-use issues are of great importance in some local communities. In Manhattan, as I've mentioned, we have a huge number of facility-siting issues. I have community boards which, to their credit, will negotiate for a facility that "no one wants." They want assurances, however, that their concerns will be taken into account in siting and designing the facility. If the city agency won't give us a memo of understanding that guarantees the community's concerns are met, we won't play ball.

HOWARD GOLDEN: The boroughs also need to have more input into the budget process. Currently, the mayor makes up the budget in consultation with the City Council. The new charter does provide for local community boards to prepare their

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lists of priorities and pass them along to the borough presidents, who then submit suggestions to the mayor and the City Council. But when budget time comes, the citywide officials treat these recommendations as an afterthought.

City agencies, however, jealousy guard their position in the budget; they don't want to give up any of their funding or their employees. The city therefore ends up allocating money according to the needs of its agencies rather than the needs of its communities. As a result, citizens feel alienated from the budget-making process.

RUTH MESSINGER: I have argued that there would be a dramatic benefit if even a small amount of money were put directly under the control of local communities. What if every community board in the city had $500,000—that's about $30 million in total—with which they could buy any city service they wanted?

During my first year on the City Council, my local community board passed a resolution calling for sanitation inspection of residential buildings on the West Side to be done from 4 P.M. to midnight. I went to the Department of Sanitation and asked for a nighttime inspector. I was told it was impossible because there would have to be 32 of them. I offered to give up a daytime inspector, but the Sanitation Department said there was no way to do it. If the community boards had a small amount of money at their disposal, they could exercise much more flexibility in meeting the needs of their constituents.

HOWARD GOLDEN: The boroughs need to have more of a say over capital construction projects as well. We have serious infrastructure problems in Brooklyn that are not getting the attention they need from the city. For example, the city says the Brooklyn-Queens Expressway will take ten years to repair. I guarantee it's going to end up being a twenty-year job. Our surface streets are totally unprepared for the truck traffic that's going to be diverted off the BQE. The boroughs need more of a voice in capital construction policy. The city treats something like the BQE as one of many problems, whereas in Brooklyn it is a matter of enormous concern.

RUTH MESSINGER: The same problem—a central city bureaucracy insensitive to local concerns—exists in the school system, which was supposedly decentralized in 1969. People run for the local school board, where they discover that they have to deal with a huge bureaucracy at 110 Livingston Street.

There is something fundamentally wrong in a city that has had a decentralized education system for nearly a quarter-century but still has 3,500 people working at central headquarters. There is something the matter with a system in which the central Board of Education spent six months debating two pages of a four-hundred-page curriculum guide that no teacher is actually required to use.

There is great potential for true decentralization of the city schools. I have put forth a proposal that would give individual school districts far more power, while establishing a new position of city education commissioner, with limited duties: to allocate money among the districts on the basis of their student population, to negotiate a master contract with the teachers' union, to oversee pension administration, and to serve as the city's education lobbyist and advocate in Washington, in Albany, with the City Council, and with foundations and corporations.

NICHOLAS GARAUFIS: In 1990, Queens Borough President Claire Shulman testified before the Marchi Commission that the operation of the school system should be centered in the boroughs and that the central administration should only deal with issues involving fiscal planning and labor relations. We agree in principle with Ruth Messinger that the school system should be reorganized.

Much has been said about why the Board of Education did not renew Joseph Fernandez's contract as chancellor. Many people in Queens, at least, were dissatisfied with him for reasons other than "Children of the Rainbow" and condom distribution. Community school superintendents, parents' associations, and principals did not come forward to

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support him. He seemed to be more focused on developing his constituency in the Manhattan-centered business community and on dealing with social issues than on the most basic concerns of the schoolhouse—reading, math, and science.

JOSEPH VITERITTI: If Joseph Fernandez didn't take enough trips to Queens, that's not an institutional problem. Whether the board structure is changed or not, the chancellor can still go to Queens.

On the other hand, one reason the school system is so hard to manage is its sheer size. There are so many schools in the system that if the chancellor visited one on each school day, it would take him seven or eight years to visit every school.

PETER SALINS, Hunter College: As we consider how to decentralize New York City's government, we will have to think about just how far we want to go. In education, it's fairly clear: We are talking about five separate school systems, from kindergarten through high school.

But should we go that far for other municipal services? Do we want total responsibility for sanitation at the borough level? for police? Should we have five different sets of Civil Service procedures, five different unions, five different pay schedules?

NICHOLAS GARAUFIS: Decentralization would not have to go that far in order to be meaningful. When the charter was being debated, those of us at the borough level pointed out that we know how to deliver services—that's what we do best. We wanted to continue to deliver services even after the demise of the Board of Estimate. But the charter commission had a preconceived notion that it should consolidate power in a strong central government, leaving the boroughs only some of the fluff.

Even creating a larger City Council, I would argue, tended to dilute the role of local communities by giving the 51 individual Council members less power in the Council as a whole. A handful of Council leaders end up with the principal legislative authority.

HOWARD GOLDEN: My proposal elicited immediate criticism from two officials: the mayor and the speaker of the City Council, who saw it as a threat to their power. My primary interest, however, is not in giving power to the borough presidents or taking it away from the mayor, but in restoring some power to the boroughs themselves—to the people who live in the boroughs.

PETER SALINS: What about the fiscal question? Is there any interest in pushing decentralization to the point where, for example, property taxes would be set and collected entirely by the boroughs?

ROGER STARR, *City Journal*: The most difficult part of the division of the boroughs is to find an equitable way to distribute property tax revenues. The real property tax is overwhelmingly raised in Manhattan, because of its concentration of valuable commercial property.

RUTH MESSINGER: The one thing I have promised my colleagues I will never do is claim Manhattan is entitled to all its property tax revenues. Manhattan is, for better or worse, the economic engine for a very large region, and its resources have to be available to meet the needs of that region.

ROGER STARR: I agree that such a revenue-sharing plan is essential. I have come to the conclusion, however, that we need some sort of separation of the boroughs. When we look back on history and ask why the five boroughs joined to become one city, it was primarily because that was the only way to finance a rapid transportation system. That system has been built, and, ironically, it doesn't belong to the city of New York anymore—it's a state agency.

Most people don't think of the five boroughs as constituting a city, but as something more like a regional association consisting of a city—Manhattan—and a number of separate outlying communities. Recently I was driving west on Queens Boulevard, toward the Queensboro Bridge, and I noticed an official sign that said "To the City" and pointed the way to the bridge. Why, I asked myself, do we have to keep pretending that we are simply one city? ■

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DANIEL PATRICK MOYNIHAN

When the Irish Ran New York

Introduction

"When the Irish Ran New York" was written just after Nathan Glazer and I had finished *Beyond the Melting Pot: The Negroes, Puerto Ricans, Jews, Italians, and Irish of New York City*, and just as I was joining the Kennedy administration in Washington. Albeit we did not quite say so, the underlying theme of our book was that in the modern age ethnicity was a far more powerful force than social class.

Glazer's *The Social Basis of American Communism*, a study of the ethnic sources of American Communism, appeared the same year. Of late I have taken to remarking that what Karl Marx wrote in the British Museum, Nathan Glazer disproved in the New York Public Library; but while you see, or used to see, statues of Karl Marx all over the place, you hardly ever see a statue of Nathan Glazer.

This got me thinking about the seemingly nonideological working-class governance that the Irish had pretty much provided New York during its great age—from about 1860 to 1960. This was the age in which New York became by general assent the capital—and the envy—of the world. I knew enough when I wrote this essay in 1961 to know that the Irish era was not nearly so apolitical as it might appear to the left intellectuals of the era. Tammany, for example, can be understood as having carried on a three- to four-generation struggle with the left for control of city streets.

I made one huge mistake in my essay, however. I completely failed to recognize that the Tammany chieftains, like the really good Roman emperors, were master builders of public works. Under Tammany, New York constructed the first true aqueduct since, if memory serves, fifth-century Rome. The water was brought down from the Catskills with such ingenuity that it would reach the fifth floor of an apartment building in Brownsville, making the whole metropolis possible.

The Brooklyn Bridge, compared in its time to the Acropolis, was built under the auspices of Hugh McLaughlin on the Brooklyn side, and assorted Tammany chiefs, surely Kelly at the outset, then Croker, on the Manhattan side. They loved doing things like that. And, of course, they had warm feelings for the contractors. Croker got the subways going as a favor to a friend, and made Manhattan in the process.

And how they could build! In the Irish section of *Beyond the Melting Pot* we recorded a bit of the career of "Battery Dan" Finn, a district leader of the Lower West Side. His club had a clubhouse, of course. "Pitched it up in an afternoon himself, he did" was the saying of his constituents. And so he did.

To this day I fear I trouble the reformist hearts at City Hall with nostalgic accounts of the dear old days of Tammany Hall when Jimmy Walker (through Al Smith's Port Authority) could throw up the George Washington Bridge in four years and one month. We have been 14 years trying to build, or rather rebuild, a trolley line across 42nd Street. Still no sign of life. Five mayors, three governors, 140 commissioners, and umpteen hundreds of millions of dollars can't build a subway to Queens. That is no accident, comrade.

When a great city ceases to build, it commences to die. Somehow Tammany's success at building gave public works a bad name among those who followed. They are associated with corruption rather than glory. The result is decay.

May I note in closing that my article could not have been written save for the encouragement and patience of Robert Bingham, then managing editor of *The Reporter*, nor published without the immense tolerance and breadth of Max Ascoli. A New York WASP and an Italian Jew, they adorned our town.

— D.P.M.

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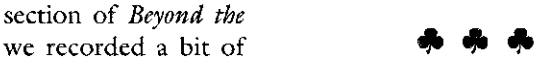

New York used to be an Irish town. Or so it seemed. New York, to be sure, has never been anyone's town, but there were sixty or seventy years when the Irish seemed to be everywhere. *They* felt it was their town. It is no longer, and they know it. That is one of the things that are bothering them.

It is not hard to date the Irish era. It begins in the early

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1870s: about the time Charles O'Conor, whom the *Dictionary of American Biography* calls "the ablest member of the New York bar," began the prosecution of the Honorable William Marcy Tweed. It ends some sixty years later: a good point would be the day Jimmy Walker sailed for Europe and exile with his beloved, but unwed, Betty.

Boss Tweed was the last vulgar white Protestant to win a place in the city's life. There have been Protestants since who have served the city with distinction, but always as representatives of "the better element." Tweed was hardly that: he was a roughneck, a ward heeler, a man of the people at a time when the people still contained a large body of native-born Protestant workers of Scotch and English antecedents. By the time of his death in the Ludlow Street Jail, this had all but completely changed. The New York working class had become predominantly Catholic. The Irish promptly assumed the leadership of this class. "Honest John" Kelly succeeded Tweed as leader of Tammany Hall, and in 1880 Kelly elected the city's first Irish Catholic mayor, William R. Grace of the shipping line. This ascendancy persisted for another half century, reaching a kind of apogee toward the end of the 1920s when Al Smith ran for President and Jimmy Walker "wore New York in his buttonhole."

New York was perhaps the first great city in history to be ruled by men of the people, not as an isolated phenomenon of the Gracchi or the Commune but as a persisting, established pattern. To this day the men who run New York talk out of the side of their mouths: they may be millionaires, but they are no less representative of the people. The intermittent discovery that New York does have

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Charles F. Murphy, boss of Tammany Hall from 1902 to 1924

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representative government leads to periodic reform movements. But the reformers come and go, the party remains. The secret lies in the structure of the Democratic party bureaucracy, which perpetuates itself. The measure of its success is that it works with almost undiminished effectiveness long after the Irish, who created it, have moved on to other things.

In their politics as in their race and religion, the Irish brought many of their traits from the Old Country. The machine governments which the Irish established in New York (as in many Northern cities) show three distinct features of early nineteenth-century Ireland.

First, a considerable indifference to Yankee proprieties. The Irish managed to make it somehow charming to steal an election—scoundrelish, rascally, surely not to be approved, but neither to be abhorred. This, it must be insisted, is something they learned from the English. Eighteenth-century English politics in Ireland was as corrupt—in Yankee terms—as is to be imagined. George Potter has written in *To the Golden Door*: "The great and the wealthy ran Ireland politically like Tammany Hall in its worst days. Had they not sold their own country for money and titles in the Act of Union with England and, as one rogue said, thanked God they had a country to sell? . . . A gentleman was thought no less a gentleman because he dealt, like merchandise, with the votes of his tenants or purchased his parliamentary seat as he would a horse or a new wing for his big house." The Irish added to this, from their own social structure, a personal concept of government action. Describing the early period of Irish self-government, Conrad H. Arensberg relates in *The Irish Countryman*: ". . . At first, geese and country produce besieged the new officers and magistrates; a favourable decision or a necessary public work performed was interpreted as a favour given. It demanded a direct and personal return. 'Influence' to the countryman was and is a direct personal relationship like the friendship of the countryside along which his own life moves."

The Irish also brought to America a settled tradition of regarding the formal government as illegitimate and the informal one as bearing the true impress of popular sovereignty. The brutality of the English landlords in eighteenth-century Ireland gave rise to secret societies that fought back by terrorism. An English observer described the results: "There are in fact two codes of law in force and in antagonism—one the statute law enforced by judges and jurors, in which the people do not yet trust—the other a secret law, enforced by themselves. . . ." This habit of mind pervaded the atmosphere of Tammany at its height: City hall, like Dublin Castle, was not to be trusted. If you need help see The McManus. The fact that the McMani were like as not running city hall, as well as the Tuscarora Regular Democratic Organization of the Second Assembly District South, only strengthened this habit.

Finally, most of the Irish arrived in America fresh from the momentous experience of the Catholic Emancipation movement. The Catholic Association, which the Irish leader Daniel O'Connell established in 1823 for this purpose, has been called the "first fully fledged democratic political party known to the world." "Daniel O'Connell," Potter writes, "was the first modern man to use the mass of a people as a democratic instrument for revolutionary changes by peaceful constitutional methods. He anticipated the coming into power of the people as the decisive political element in modern democratic society." The Irish peasants, who had taken little part in Gaelic Ireland's resistance to the English—that had been a matter for the warrior class of an aristo-

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cratic society—appear to have been quite transformed by O'Connell. They arrived in America thoroughly alive to the possibilities of politics and they brought with them the phenomenally effective technique of political bureaucracy.

More has been written against Tammany Hall than about it. With little evidence, it is difficult to speculate on the nature of the system during the Irish era, but some patterns can be discerned, particularly those which persist in the present Democratic party organization. Foremost is the pattern of bureaucracy. Politics in a "natural" state is preeminently a personal affair—a matter of whom you know and who knows you; whom you like and trust; who you think likes and trusts you; whom you can intimidate and vice versa. The personal nature of such relations makes for a fluctuating, confused, perilous enterprise. Thus politics, business, and war have ever been the affairs of adventurers and risk takers. These are anything but peasant qualities. Certainly not those of Irish peasants, who, collectively, yielded to none in the rigidity of their social structure and their disinclination to adventure. Instead of letting politics transform them, they transformed politics, establishing a political system in New York City that from a distance seems like nothing so much as the social system of an Irish village writ large. Village life was characterized by the preeminence of formal family relations under the dominance of the stern father. Substituting "party" for "family" and "leader" for "father," the Irish created the political machine.

According to Roy V. Peel in *The Political Clubs of New York City*, Irish Catholics achieved a position of predominance within Tammany Hall by 1817. Working from the original Tammany ward committees, they established a vast hierarchy of party positions descending from the county leader at the top down to the block captain and beyond, even to building captains. Each position had rights and responsibilities which had to be observed. The result was a massive party bureaucracy, which rivaled the medieval Catholic Church in the proportion of the citizenry involved. The county committees of the five boroughs came to number more than 32,000 persons. It became necessary to hire Madison Square Garden for their meetings—and to hope not much more than half the number would show up as there wouldn't be room. The system itself was remarkably stable. "Honest John" Kelly, Richard Croker, and Charles Murphy in succession ran Tammany for half a century. Across the river Hugh McLaughlin ran the Brooklyn Democratic party and fought off Tammany for better than forty years, from 1862 to 1903. He was followed shortly by John H. McCooey, who ruled from 1909 until his death a quarter of a century later. Ed Flynn ran the Bronx from 1922 until his death in 1953.

There is no greater nonsense than the stereotype of the Irish politician as a beer-guzzling back-slapper. Croker, McLaughlin, and *Mister* Murphy were the least affable of men. Their task was not to charm but to administer with firmness and predictability a political bureaucracy in which rights appertained not to individuals but to the positions they occupied. "Have you seen your block captain?" It did not matter that your captain was an idiot or a drunk or a devout churchgoer who would be alarmed by the request at hand; the block captain had to be seen first. Then the election district captain. Then the district leader. The hierarchy had to be recognized. For the group as a whole, this served to take the risks out of politics. Each would get his deserts—in time.

At the moment no one characteristic divides the "regular" party men in New York City from the "reform" group more than the matter of taking pride in following the chain of command. The "reform" group is composed prin-

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cipally of educated, middle-class career people quite hardened to the struggle for advancement in their professions. Waiting in line to see one's leader seems to such persons slavish and unmanly, the kind of conduct that could only be imposed by a boss. By contrast, the "organization" regulars regard it as proper and well-behaved conduct. The reformers, who have a tendency to feel superior, would be surprised, perhaps, to learn that among the regulars they are widely regarded as rude, unethical people.

It would also seem that the term "boss," and the persistent attacks on "boss rule," have misrepresented the nature of power in the old machine system. Tammany was not simply a concentrated version of the familiar American municipal power structure in which an informal circle of more or less equally powerful men—the heads of the two richest banks, the three best law firms, four largest factories, and the chancellor of the local Methodist university—run things. Power was hierarchical in the machine, diffused in the way it is diffused in an army. Because the commanding general was powerful, it did not follow that the division generals were powerless—anything but. In just this way the Tammany district leaders were important men; and, right down to the block captain, all had rights.

At the risk of exaggerating, it is possible to point out any number of parallels between the political machine and rural Irish society. For example, the incredible capacity of the rural Irish to remain celibate—i.e., to wait their turn—in order to earn the reward of inheriting the farm is well known. Even after an Irish son has taken over direction of the farm, he will go each morning to his father to ask what to do that day. So with the "boss," whose essential demand often seemed only that he be consulted. There is a story that one day a fellow leader of Sheriff and Sachem Thomas J. Dunn confided that he was about to be married. "Have you seen Croker?" asked Dunn. In 1913, when Governor William Sulzer refused to consult the "ahrganization" on appoint-

Thomas Nast's drawing of "Honest John" Kelly, head of Tammany Hall from 1874 to 1884, for the cover of *Harper's Weekly*

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ments, Murphy did not argue; he impeached and removed him. Doubtless the most painful onus of the current Tammany organizations that have been overthrown by reform clubs is to hear themselves called "insurgents"!

It seems evident that the principle of boss rule was not that of tyranny but of order. When Lincoln Steffens asked Croker, "Why must there be a boss, when we've got a mayor and—a council?" "That's why," Croker broke in. "It's because there's a mayor *and* a council *and* judges—*and*—a hundred other men to deal with."

The narrow boundaries of the peasant world were ideally adapted to the preoccupations of precinct politics. The parallel role of the saloonkeeper is striking. Arensberg writes:

"The shopkeeper-publican-politician was a very effective instrument, both for the countryside and for himself. He might perhaps exact buying at his shop in return for the performance of his elective duties, as his enemies charge: But he also saw to it that those duties were performed for the very people who wished to see them done. Through him, as through no other possible channel, Ireland reached political maturity and effective national strength."

So with the New York Irish. "The saloons were the nodal points of district organizations," Peel points out. It used to be said the only way to break up a meeting of the Tammany Executive Committee was to open the door and yell, "Your saloon's on fire!" At the same time a mark of the successful leader, as of the successful saloonkeeper, was sobriety. George Washington Plunkitt related with glee the events of election night in 1897 when Tammany had just elected—against considerable odds—the first mayor of the consolidated City of New York (Croker had slyly chosen for his candidate an inoffensive Old-Dutch-Family gentleman named Van Wyck):

"Up to 10 P.M. Croker, John F. Carroll, Tim Sullivan, Charlie Murphy, and myself sat in the committee-room receivin' returns. When nearly all the city was heard from and we saw that Van Wyck was elected by a big majority, I invited the crowd to go across the street for a little celebration. A lot of small politicians followed us, expectin' to see magnums of champagne opened. The waiters in the restaurant expected it, too, and you never saw a more disgusted lot of waiters when they got our orders. Here's the orders: Croker, vichy and bicarbonate of soda; Carroll, seltzer lemonade; Sullivan, apollinaris; Murphy, vichy; Plunkitt, ditto. Before midnight we were all in bed, and next mornin' we were up bright and early attendin' to business, while other men were nursin' swelled heads. Is there anything the matter with temperance as a pure business proposition?"

As a business proposition it all worked very well. The Irish habit of dealing with an informal government, combined with the establishment of an elaborate bureaucracy for that government, proved enormously effective in electoral politics. The "organization" spread to the darkest reaches of the city, places the middle-class reformers never lived in and rarely visited. Reform would come and go, but the organization remained, co-opting its members, getting out the vote, winning two elections in three, and quite able to sit out the third.

But that is about as far as it went. The Irish were immensely successful in politics. They ran the city. But the very parochialism and bureaucracy that enabled them to succeed in local politics prevented them from doing much else. In all these sixty or seventy years in which they could have done almost anything they wanted in politics, they did very little. Of all those candidates and all those campaigns, what remains? The names of two or three men: Al Smith principally, and his career went sour before it ever quite came to glory.

In a sense, the Irish didn't know what to do with power once they got it. Steffens was surely exaggerating when he suggested the political bosses only kept power on the sufferance of the business community. The two groups worked in harmony, but it was a symbiotic, not an agency, relationship. The Irish leaders did for the Protestant establishment what it could not do for itself, and could not do without. But the Irish just didn't know what to do with their opportunity. They never thought of politics as an instrument of social change—their kind of politics involved the processes of a society that was not changing. Croker alone solved the problem. Having become rich, he did the thing rich people in Ireland did: He bought a manor house in England, bred horses, and won the Derby. The king did not ask him to the Derby dinner.

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STEPHANIE GUTMANN

Revival in the Ruins

It is a cold February night in the Brooklyn neighborhood of Bushwick. The streetlights overhead are burned out, so one must make one's way carefully in the dark over potholes, buckled pavement, blowing garbage, and piles of broken safety glass from smashed windshields. Through the gloom one can pick out abandoned buildings with bricked-up windows and overgrown yards full of tangled barbed wire and discarded junk, such as empty Clorox bottles and old baby carriages.

But a few blocks away is a cheerful beacon. Light spills out onto the street from the heavy door of St. Barbara's Roman Catholic Church. A convoy of yellow school buses is lined up out front, dispatching groups of people who hurry inside and clatter down the stone stairs to the basement auditorium. Here about four hundred people are gathered, sitting on rows of metal folding chairs or around card tables at the edge of the room; some roost on window ledges.

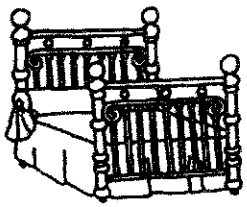
It's not the most modern place: The aging fluorescent lights hum and flicker, and the walls are a depressing industrial yellow. It's so drafty many people keep their coats on. Still, on entering you feel you've found a place that is safe and dry and warm and happy and . . . happening. Here, just below that cold Bushwick street, there is a cheerful town-meeting feel, a buzz, an excited hum: Friends jump up to greet friends, Young Turks in three-piece suits bustle around, people crane their heads to see who will come in next.

This is a meeting of East Brooklyn Congregations, a 14-year-old organization of 55 churches of all denominations, as well as two synagogues and two parents' associations. Each congregation pays annual dues of $12 per family, giving EBC a "backbone" of $90,000 to work with. The organization uses this money, plus funds other churches contribute or lend, to provide scholarships for promising local students and to maintain a full-time staff of organizers who tackle a variety of community problems. EBC has involved itself with projects as mundane as moving a bus stop so that women are safer when walking home at night, and as elaborate as turning a huge swath of empty, rubble-strewn land into a 2,300-home suburb. The Nehemiah homes, named after Nehemiah of the Old Testament who rebuilt Jerusalem, are strangely reminiscent of parts of irrigated Los Angeles or Israel's kibbutzim: The desert has been made to bloom. Where there were once blocks of empty lots overgrown with weeds, full of rubble, and patrolled by packs of wild dogs, there are now rows of red brick houses with trim lawns, rose bushes, garden gates, and new RVs in the driveways. The homes are occupied by nurses, school teachers, Transit Authority employees, and other working-class New Yorkers.

EBC's best-known leader is its cochairman, the Reverend Johnny Ray Youngblood of St. Paul Community Baptist Church. The charismatic 44-year-old African-American pastor was celebrated in Samuel Freedman's recent book *Upon This Rock: The Miracles of a Black Church.* Though EBC is mainly black, it has been described as "doggedly multiracial," and a look around the meeting at St. Barbara's basement confirms this: A young black woman with a "natural" hairdo, little makeup, and elegant wool slacks sits next to a Hispanic man in a blue uniform who could be a Con Ed inspector. Nearby is a young white man in jeans and a leather motorcycle jacket.

For all their diversity, these East Brooklyn residents have much in common: They send their children to the same schools, walk the same streets, ride the same elevated trains, and endure the same excuses from bureaucrats. In a city that often seems balkanized by high-profile ethnic conflicts, people of all races have joined together in the kind of plodding, unglamorous work necessary to address the qual-

GETAWAY TO YESTERDAY



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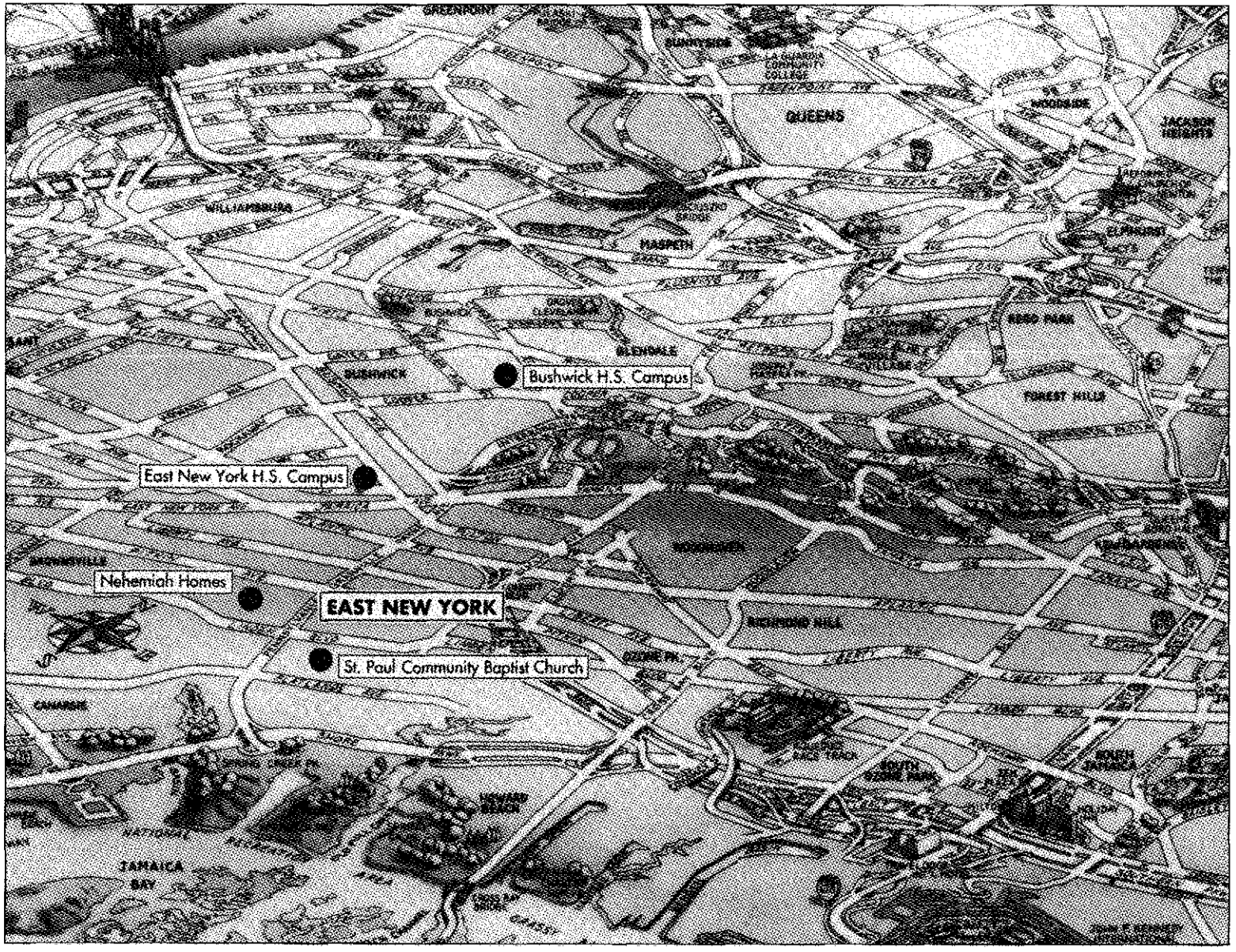

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ity-of-life concerns so crucial to New Yorkers.

East Brooklyn—a huge swath that includes Bushwick, Flatbush, Brownsville, and East New York—was "a very violent community" when EBC was born, according to Dave Nelson, the Lutheran minister who is currently the group's lead organizer. "There was devastation everywhere. The neighborhoods—both Brownsville and East New York—were largely in ruins." Nelson motions around his office, which stands among the Nehemiah homes. "This whole area in here was basically just rubble. The congregations were feeling almost helpless in the face of these kinds of forces."

In 1978, John Heinemeier, a Lutheran minister from Brownsville, organized a meeting of 15 ministers and church members to discuss the possibility of joining forces with a national organization called the Industrial Areas Foundation (IAF), founded in 1940 by Saul Alinksy, an idiosyncratic left-wing radical who had studied at the University of Chicago. IAF had several decades of experience organizing communities and had developed an arsenal of confrontational tactics for getting unresponsive politicians and bureaucracies to respond to its demands. In the Seventies, the organization shed its radicalism and began working almost exclusively with churches and synagogues on basic community concerns such as good schools, housing, and safe, clean streets.

Inspired by IAF's methods of community organizing, the Brooklyn group set about recruiting leaders from among its congregations. One of the first was Elda Peralta, a slim, 22-year-old data supervisor from East New York. In 1978, she had just graduated from Polytechnic College and was feeling pretty bad about her neighborhood. There had been a fire across the street from her church and she was thinking of persuading her family to leave. But she reconsidered when her pastor at St. Malachy's Roman Catholic Church gave a homily in which he said, "We should be able to take charge of our lives." He told them about East Brooklyn Churches, the new organization started by five other local churches, and explained how "all of those networks within the church would give the group power." (The organization's name was later changed to East Brooklyn Congregations when two synagogues joined.) Soon, Peralta was working nights and weekends for EBC. Like all EBC leaders, she attended a ten-day IAF training session in Alinsky's philosophy and tactics.

After EBC had reached a certain "critical mass" of leadership, it was ready for what Nelson calls "entry-level organizing." Alinsky preached "organizing around the genuine institutions of a neighborhood," finding "specific, immediate and realizable goals," and winning battles through "constructive use of power." Many hours of house-to-house canvassing flushed out a specific, immediate, and realizable issue: the lack of street signs. East New York literally didn't have any. A resident who called for an ambulance would have to direct it with landmarks, and drivers often couldn't find their destinations. The lack of signs helped create the impression that the area was a vast no man's land which had been abandoned by the forces of law and order. EBC brought a large contingent of its members to the office of the city official in charge of street signs, and soon three thousand signs had been posted in the area.

The group, adding more churches every year, moved on to other projects: reforming the neighborhood grocery stores, where short-weighting, overpricing, and selling spoiled goods were common; getting unused swimming pools and parkland rehabilitated; evicting "smoke shops" (businesses that fronted for marijuana dealers); filling potholes; registering voters; and pressuring local officials to bulldoze some three hundred abandoned buildings that were used by drug dealers and rapists.

In the early Eighties, EBC embarked on a far more ambitious project: the Nehemiah homes. EBC leaders had been conducting what they call "house meetings," in which congregation members host small meetings for EBC leaders and local residents. Such meetings are a way to create a relaxed setting so that people will speak their minds about community problems. The number one issue that emerged was crime; the second was the dearth of decent housing.

The idea of rebuilding Brownsville thrilled Mike Gecan, one of EBC's top organizers, from the moment it was suggested at a strategy meeting. IAF director Ed Chambers had given Gecan a folder of newspaper articles by I.D. Robbins, a retired builder who had been writing for the *Daily News* since 1971 about how to build

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affordable housing in New York. One article, from the newspaper's Sunday magazine, bore the headline: "For the $12,000-a-Year Income: Blueprint for a One-Family House." For years, Robbins had offered to demonstrate that he could construct low-income housing by building a brick row house for $36,000 with his own money. All he asked was that the city give him an abandoned plot of land, but successive mayors declined his offer.

Gecan arranged a meeting with Robbins and asked him to build houses for EBC; Robbins agreed. They didn't begin the tortuous process of finding loans until they hashed out what Samuel Freedman describes as "five inviolable rules" for the Nehemiah project. First, it was essential to build single-family houses as a way of encouraging a stable population and ensuring clear accountability for upkeep. Second, the homes had to be occupied by their owners rather than rented, because people take better care of things they own. Third, the homes had to be attached—row houses—to keep costs for things like sewage down. Fourth, the project had to be of a scale big enough to create a "critical mass of stable families" that could resist the culture of failure in the streets nearby; the project would not work without at least a thousand homes. Fifth, to keep the project self-reliant, it would accept no government funds. "All EBC sought from the city or state," Freedman writes, "were the rights to land that was virtually vacant; low-interest mortgages under an existing program; a ten-year deferral of property tax on land that was yielding few taxes anyway; and a $10,000 interest-free loan on each home which would be repaid when it was sold."

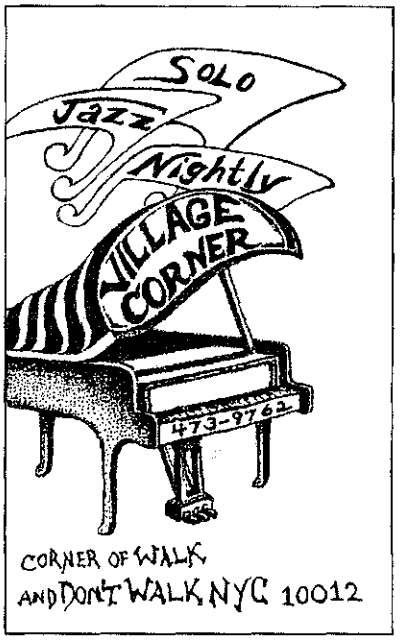
EBC financed the construction of the homes with a revolving loan fund of $7 million in interest-free loans from churches, including the Catholic Diocese of Brooklyn, which contributed $5 million; the Missouri Synod Lutheran Church; the Episcopal Diocese of Long Island; and Reverend Youngblood's St. Paul Community Baptist Church. The fund advanced the money for the construction of the homes; as each home was sold, the money was repaid. In this way, 2,300 row houses were eventually constructed, and EBC repaid all the loans—with interest. On June 14, 1984, Herbert and Leolin Schleifer became the first couple to move into one of the brick row houses.

Nehemiah homes were designed to be affordable for people of modest means. In 1984, they sold for $49,000; inflation has brought the price up to $63,000. Mortgage payments for these two- and three-bedroom houses run under $400 a month. Prospective Nehemiah homebuyers must have an income of at least $20,000 but not more than $50,000; the average is about $25,000. According to Nelson, some six in ten Nehemiah buyers move from public housing.

Anecdotal evidence suggests that the Nehemiah tract has improved the neighborhood around it as planned: According to *Newsday*, the value of nearby homes has risen sharply. "You have a community coming alive again as opposed to before, which was nothing—a lot of vacant buildings," Patrick Carroll, commander of East New York's 75th Precinct, told the *New York Times*. Carroll credits the stability created by the Nehemiah homes with bringing the local crime rate down.

EBC plans to replicate the Nehemiah project in other parts of East Brooklyn. After long delays, it has recently received the land and the approval from the city to build 1,300 more homes on Pennsylvania Avenue and in Spring Creek. Another church group plans to build some 600 Nehemiah homes in the South Bronx.

Having achieved a notable success with housing, EBC has turned its attention to another concern: education. For years, East Brooklyn parents have been dis-



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mayed by the violence, overcrowding, and poor academic performance at their local public schools, particularly the high schools. At Thomas Jefferson High, two students were shot to death in March 1992; Bushwick High is operating at about 180 percent of capacity, forcing the school to hold classes in the auditorium and cafeteria. When Bushwick graduates took the Scholastic Aptitude Test in 1991, the average math score was 285. (You get 200 automatically, just for signing your name.)

In 1986, EBC conceived of a project it called Nehemiah II, which aimed at challenging both the students and the schools to improve their performance. Several large banks and other institutions promised entry-level jobs to graduates who had good attendance records and participated in an EBC program to teach them work habits and social skills. But the problem was deeper than anyone realized: In 1990, 75 graduating seniors who had attended school regularly for four years were tested by Manufacturers Hanover for math and reading skills at the eighth-grade level. Only two were able to pass the test.

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It was then that EBC's leaders began to think about starting their own schools. As in the Nehemiah homes project, they decided they needed to start from scratch in order to create a critical mass of "good schools culture." In 1990, EBC's leaders began negotiating with Schools Chancellor Joseph Fernandez for permission to manage or start their own public schools. The negotiations proceeded slowly until March 1992. Under the intense political pressure that followed the shootings at Jefferson High that month, the chancellor finally granted EBC the go-ahead for two new high schools, one in Bushwick and one in East New York. Each school will have a governing board consisting of four members appointed by the central Board of Education and four appointed by EBC. This board will choose the principal, design the curriculum, and allocate the budget. For the first time, a community organization will be directly involved in managing a public school in New York City.

Wall Street philanthropist Richard Gilder and the J.M. Kaplan Fund provided "planning money," which enabled EBC to head off objections based on funding. If bureaucrats at 110 Livingston said there was no money for the next step in the process, EBC could say, "We'll fund it." The money was used to produce a plan for the schools' organization, curriculum, and governing board; to find buildings for the new schools; and to advertise for school principals.

The new schools will open in September 1993 in renovated warehouses. Following the example of East Harlem's District 4, which has had success in breaking dysfunctional schools into smaller units, the new schools will be limited to six hundred students each. They will have a "public service" focus: Students will serve internships in hospitals, local schools, and other community facilities.

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With its schools project underway, EBC has begun to think about how to bring good jobs to East Brooklyn. Such efforts are still in the early planning stages.

Why is EBC succeeding where so many others have failed? Cops on patrol used to wear T-shirts that said "East New York: The Killing Fields," and the area has been an elephant burial ground for countless social programs. According to EBC cochairman Youngblood, the marriage of EBC and Alinsky's Industrial Areas Foundation worked because IAF brought "the know-how to deal with the political climate and culture" while EBC supplied stable

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members who come with the moral values of "the Judeo-Christian ethic."

One of EBC's greatest strengths, which it learned from IAF, is its appreciation of the importance of good leaders. EBC identifies people with leadership potential and then goes after them. Youngblood, for example, was wooed for months before he would come on board. "Either they're a leader or they're not," says Peralta, who was made an associate organizer in 1980. "You begin to be able to spot leadership qualities. Leaders have anger and ambition, and we can channel that anger and work towards a vision. It comes from within. You can't give it to someone; it's either there or it isn't there." EBC's leaders are tough, unsentimental, obsessed with self-reliance, and shamed by dependence. They adopted Alinsky's "iron rule": "Never do for others what they can do for themselves."

EBC works through the system, sending letters and distributing petitions, backing up these efforts with confrontational actions like bringing large contingents to Board of Education meetings. Such tactics are borrowed from Alinsky, who deposited uncollected garbage on the doorsteps of Chicago's ward bosses and picketed slumlords in front of their suburban homes. EBC has never gone this far, but, as Peralta puts it, the organization has clout because it can tell the commissioner of garbage cans, or whomever: "If you don't deal with this problem, we'll come down here with 500 people to sit in your office and talk to you. You either deal with a group of 10 or 15, or you deal with 500 or 5,000."

EBC's leaders learned other important principles from Alinsky's organization. One of them is always to deal directly with someone who actually has the power to make decisions. Another is to deal face to face, setting the terms and style of the discussion. Mayor Edward Koch once left a meeting of another IAF group in a huff because he wasn't allowed to deliver his complete opening statement, which was too long for the agenda the organization had planned.

At EBC-run meetings, speeches are short. Prayers and hymns, sung by the groups or soloists, add variety to the committee reports. The meetings are designed for people who have put in a long day at work and are going to do so again tomorrow. Rules are enforced with a cheerful authoritarianism: Participants are told how long they have to speak and if someone exceeds the limit, even by a few seconds, a timekeeper comes and stands directly behind him to let him know his time is up.

EBC members hold each other to tough standards. At their meetings, delegates are expected to troop past the stage and announce, in a ringing voice, the name of the church they represent and how many people they've brought. It's a way of celebrating and plugging themselves, but it's also a way, Peralta explains, of being accountable to each other. If a congregation doesn't show up one month, its absence is obvious.

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EBC may revel in its numbers, but the city has learned to quail. Politicians now know that EBC represents a large, motivated voting bloc willing to make vivid demonstrations of strength. Mayor Dinkins, for instance, was loathe at first to give EBC a site in Spring Creek for its new Nehemiah homes. The mayor relented after attending a demonstration at which Youngblood thundered, "I want the mayor to know that we don't want Spring Creek to be his Desert Storm. We don't want Spring Creek to be his Grenada." After hinting of a political war over the issue, Youngblood led the crowd in chanting "Say yes, Mr. Mayor."

More than anything, EBC owes its success to its leaders' willingness to do the work necessary to improve the lives of their people. "We're interested in results," Youngblood tells a parishioner in *Upon This Rock*. "I'm sure you heard enough talk." Or, as Jesse Jackson said after the groundbreaking of the first Nehemiah homes, EBC makes "things so real, people sleep in them at night."

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KEITH ELLIOT GREENBERG

Letter from Flushing

The story of Flushing, Queens, is one of decay and rebirth. In its heyday, downtown Flushing was a bustling shopping district, home to Gertz's and Klein's department stores and RKO Keith's Flushing Theater, its domed lobby a replica of the solar system. But by the late 1970s, Flushing was being deserted, its residents lured away by Long Island's better schools and shopping malls. As more storefronts stood vacant, a general air of neglect was making Flushing residents uneasy. They worried that their neighborhood would follow in the path of Jamaica, another urban shopping district in Queens, where crime drove away the customers.

Then immigrants began to arrive. Chinese, Koreans, and Indians, drawn by the rock-bottom rents for storefronts and apartments, flooded into the area. They opened shops and kept them open late at night. They put up bright signs and watched the sidewalk through picture windows. Those unnerving, empty stretches of downtown Flushing were now filled with crowds of people, chatting away in Chinese, Korean, and Hindi. The neighborhood had come to life again.

Flushing—a vast stretch of Queens bounded by 20th Avenue on the north, Union Turnpike on the south, Francis Lewis Boulevard on the east, and Flushing Meadows-Corona Park on the west—officially has about 233,000 residents, about half of whom are Asian. But to listen to the Asian business associations in the area, the census figures are way off the mark. The Chinese claim to be 120,000 strong, half of them undocumented, while the Koreans boast 70,000 and the Indians 30,000. There are other ethnic influences in the area as well. Almost half of the 18,000 students at Queens College in Flushing are immigrants, coming from 120 nations.

Flushing is undeniably doing well. According to the 1990 census, 44 percent of the area's households earn more than $40,000 annually. Eleven Asian banks have offices in Flushing, and total deposits exceed $3.5 billion. "For a middle-class, residential neighborhood, that's incredible," says Yungman Lee, first deputy for the New York State Banking Department. "This is a deposit-rich community."

The No. 7 train has been dubbed "the Orient Express." Virgo Lee, director of the Mayor's Office for Asian Affairs, describes downtown Flushing as a "Pan-Asian business district." Each group has staked out its own territory: Chinese on Prince Street and 39th Avenue, Koreans on Union Street, and Indians on Bowne Street. Each has its own story of prosperity and community in the New World.

The Chinese in Flushing call the neighborhood "the second Chinatown." But they insist that the Flushing Chinese, many of whom came from Taiwan, are on the whole better-educated than their Chinatown counterparts. A large percentage of the Taiwanese immigrants came to New York as students and decided to remain after their visas expired. The mainland Chinese started arriving in 1979 and, along with Hong Kong natives fearing the impending transfer of power to the communists, comprise the largest wave of new arrivals.

The Chinese in Flushing are less insular than those in Chinatown: While a Chinese immigrant can get by here without learning English, not all his neighbors are Chinese, so he has the opportunity to understand and blend with other cultures.

Although some 25 Chinese dialects are spoken in Flushing, the majority of Chinese in the area know Taiwan's official idiom, Mandarin. (In Chinatown most people speak Cantonese.) About 40 percent of the Flushing Chinese hail from Taiwan and another 30 percent come from Mandarin-speaking mainland cities like Shanghai and Beijing. The remainder of the ethnic Chinese come

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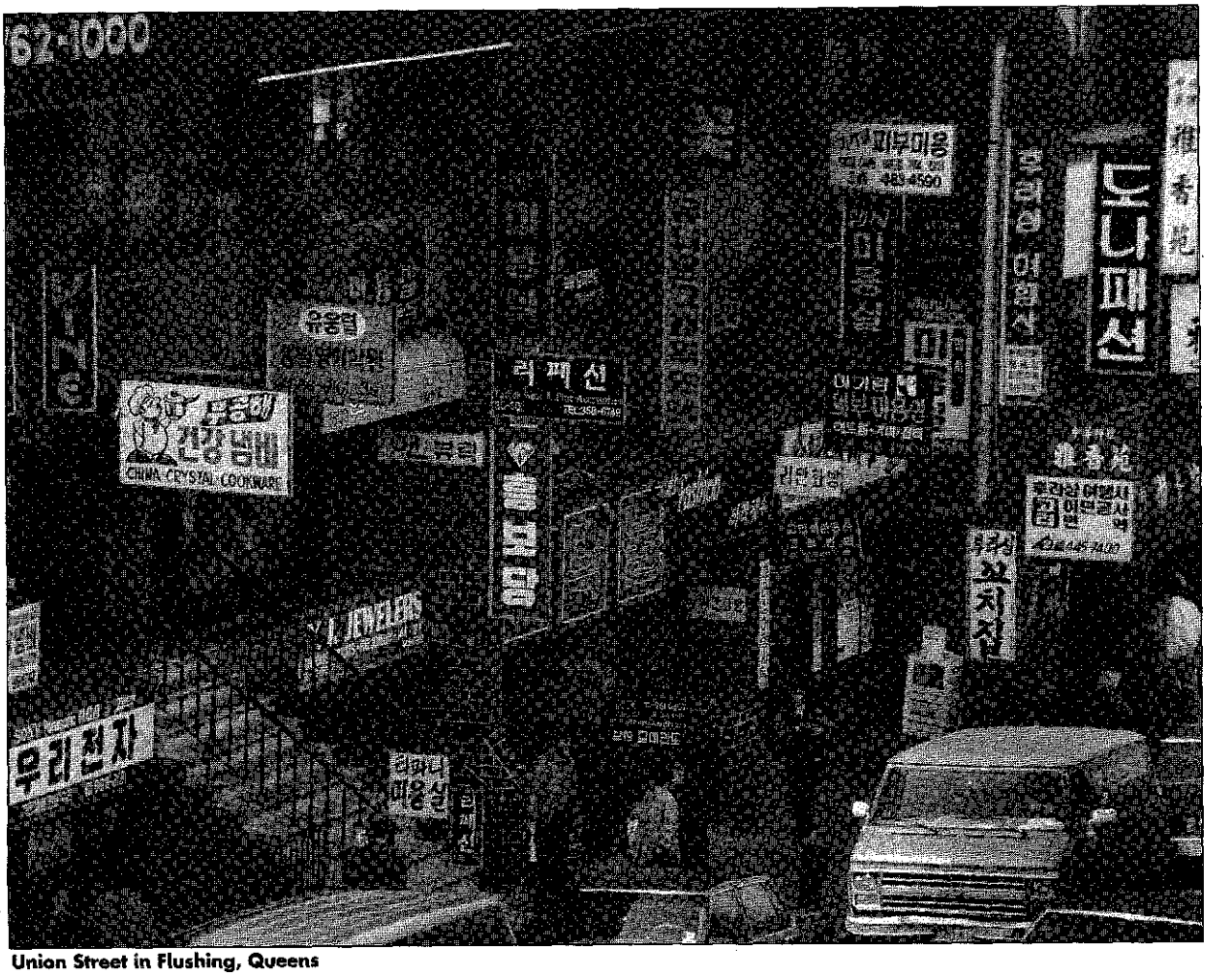

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Union Street in Flushing, Queens

from places as diverse as Hong Kong, Malaysia, Singapore, Vietnam, Cambodia, and South America.

Richard Hsueh is president of Chinese American Voice, a local radio station that broadcasts mostly in Mandarin. Hsueh was a radio reporter in Taiwan who came to America and began working for the *World Journal*, one of Flushing's Mandarin newspapers, in 1979. The Chinese were just beginning to settle in the area, and Hsueh spent a lot of time in Chinatown gathering news. But each year he found himself taking the subway into Manhattan less often, as he found more to report about the burgeoning Chinese community in Flushing.

Hsueh remembers watching the growth of the Chinese influence in the neighborhood. First, authentic Chinese restaurants started up, then a Chinese Voters Association was formed, then the first Chinese bank, Golden Pacific, opened its doors. "Soon," Hsueh says, "you didn't need to leave." By 1986, Flushing had become a neighborhood not only of Chinese restaurants, but also of food wholesalers to supply them. Frozen items are flown in daily from Taiwan, and fresh vegetables and fish are available everywhere. Local florists, bakeries, and grocery stores are owned by Chinese immigrants, as are insurance and real estate agencies.

In 1991, Sheraton opened a 14-story hotel in Flushing. Although guests include visitors to the nearby U.S. Open tennis championship and Shea Stadium, the hotel's Chinese menu is an indication of its primary clientele: traveling business executives from

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Hong Kong and Taiwan who prefer to stay near their countrymen rather than in Manhattan.

The Flushing Chinese Business Association has tried to ease the process of assimilating to life in a new country by offering new immigrants English classes, free medical services, and job training. Of all the Asians in Flushing, the Chinese have the most developed civic and political organizations. They are able to command the attention of local politicians and school boards, and have begun to run for office themselves.

"I'm moving," says a character in a Korean TV show.

"Where?" he is asked.

"America."

"Where in America?"

"Flushing."

This is a common scenario on Korean television programs, now available on video in Flushing for Koreans homesick for the Old Country.

Flushing has become home to the largest concentration of Koreans on the East Coast with the help of an impressive system of community support. Family members and friends pool money together to float an undertaking, confident that down the line the borrowers will make their own capital available for the next project.

Financial backing also comes from Korean-American churches—a practice developed in this country. One Korean Catholic congregation in Flushing has a credit union for its parishioners, with assets of more than $17 million. There are approximately 250 Korean churches of all denominations in Queens, many of which are active in bringing over new members from Korea. Some 65 percent of Flushing's Koreans are Christians, compared with 20 percent of South Korea's population. Many immigrants become Christian after they arrive here, for communal as well as religious reasons.

Sung Soo Kim, president of the Korean-American Small Business Service Association, attributes the high success rate of Korean businesses to the cultural dread of losing face by returning to Korea a failure. Status in the Korean-American community is measured by how many relatives one can bring over and by the size of one's financial contributions to the community.

The first Korean immigrants to Flushing were nurses who came to work at nearby Elmhurst Hospital in the 1960s. At that time, there were only about three thousand Koreans in the entire city, and many were involved in the

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wig trade. Straight black wigs imported from Korea were popular sellers in African-American neighborhoods around New York. The immigrants eventually branched out into beauty parlors and then nail salons. After years of watching Korean manicurists ply their craft in other people's shops, a Mr. Yoo is credited with opening the city's first independent Korean nail salon in 1983. Others followed his lead, and now Koreans are said to have the market cornered, along with the produce and much of the dry cleaning business. Those starting out in these fields can seek advice from the Korean-American Nail Salon Association of New York, the Korean Produce Association, the Korean-American Grocers Association, and the Korean-American Dry Cleaners Association.

The largest surge of Koreans into Flushing occurred between 1975 and 1985, just as the neighborhood was losing its base of Irish, Italians, Jews, Greeks, and Germans. Although some came as students and some were fleeing South Korea's military, the majority came in search of economic opportunity.

Most found it. The average Korean immigrant can afford to send for relatives within three years of arriving in Flushing. But although immigrants continue to come, their overall numbers may be shrinking. Many successful Koreans have left for the suburbs, while others have returned to Korea to start international businesses.

The Indian immigration pattern mirrors that of the other Asian groups in the neighborhood. When immigration laws were relaxed in the 1960s, Indian students started to arrive, attracted by Flushing's accessibility to Manhattan and its cheap rents. After the students became U.S. citizens, many sponsored their relatives for citizenship. Then, between 1975 and 1980, a large number of Indians swept into Flushing from the southern provinces of India and from East Africa, where Idi Amin had expelled them from Uganda in 1972. Indians began businesses in Queens with capital they had amassed from ventures in Uganda and Kenya or with loans from the State Bank of India, which has a branch on Main Street in Flushing.

Indians, however, do not perceive Flushing as their most important center of commerce in New York City. Parts of Jackson Heights, Queens, and Manhattan's East Village have larger Indian communities; each has been dubbed "Little India." But Flushing has been the spiritual center for New York's Hindus since the construction of a Hindu temple, the first in North America, in 1971. Fifteen thousand worshipers visit each month.

In the temple, women in colorful saris stand next to teenage girls in designer jeans and men in business suits, their foreheads decorated with red dots, representing wisdom, and ashes, reminding the faithful of the brevity of this life. Shirtless Brahmin priests show reverence by pouring buttermilk and orange juice on figurines of their deities. There are ornate images of Lord Ganesh, the temple's elephant-headed "presiding deity"; Sri Brahma, the four headed "creator"; Lord Shiva, the "destroyer"; and Lord Vishnu, the "protector." Each Hindu chooses which god to pray to and brings the associated fruits and flowers. Downstairs, youngsters purchase comic books based on the ancient Indian epic *The Mahabharata*.

Like any house of worship, the temple has a social as well as a religious purpose. Indian children study math, Indian languages, music, and dance, and almost every other day a wedding is held. Parents arrange marriages for daughters at age 18 and sons at 21. Next door to the sanctuary, bulldozers are clearing away land for a banquet hall and community center.

As is common among recent immigrants, many of the Indians toiling away in Flushing arrived with a college education. Dinesh "Danny" Patel, for instance, came to America in 1979 with a bachelor's degree from an Indian university and postgraduate credit from England's London Polytechnic. For three years he worked at a New York accounting firm as a CPA, then gave it up to put in 72 hours a week at his card store on Union Turnpike. Why the shift from the office to the stockroom? "Independence," he answers without flinching.

Many of Flushing's Indians own dry cleaning shops or gas stations, but the card store seems to have a special appeal to natives of the subcontinent. "A card store is only for American people," says another owner, Surinder Katsuria. "Indian people are not in the habit of buying cards for any occasion. Americans are helping me earn money for my lovely home."

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As bloodshed increases in India among Hindus, Sikhs, and Moslems, immigration from the south Asian nation is likely to continue. But the hard edge of ethnic conflict has been dulled in Flushing, and India's caste system is not observed. "In America, everyone's making money," Katsuria explains. "No one's thinking of violence."

Like other New Yorkers, the Asians in Flushing have their complaints: crime, higher commercial rents brought on by increased demand, and ill will from longtime residents who feel overtaken by the Asian surge. Chinese and Korean business associations are urging their members to list products in English, in response to an effort by Councilwoman Julia Harrison to pass a law that would require all merchants to display English-language as well as foreign signs.

The Asians brought some problems with them from their homelands. Flushing has youth gangs, a staple of Asian-American culture, and tongs, long-established fraternal organizations linked to organized crime. Owners of new restaurants have been visited by gang members seeking "lucky money" or inaugural extortion fees, and Asian landlords have unknowingly rented apartments to gang members before being forced to pay a monthly rate themselves.

Asian immigrants, frightened of both organized thugs and American authorities, have generally given in to gang demands. To break this pattern, Flushing's 109th Precinct has assigned more Chinese- and Korean-speaking officers and may create a Gang Task Force similar to one that has enjoyed some success in Chinatown. Queens District Attorney Richard Brown has established an Asian Advisory Committee to coordinate his office's efforts with those of the police precincts.

Like their counterparts around the city, small merchants in Flushing complain about poor municipal services and confusing and onerous regulations. These concerns have led Chinese, Korean, and other ethnic organizations to work together, staging street-cleaning campaigns and lobbying the city to clarify sanitation codes and Department of Consumer Affairs requirements. The business associations have provided merchants with literature about city regulations in their native languages. Asian political power is on the rise: Seven of the 48 members of Community Board 7, which includes downtown Flushing and Whitestone, are Asian.

The negatives notwithstanding, Asians have been an absolute boon to Flushing. Formerly foreboding blocks are now filled with welcoming restaurants and shops. New jobs have been created, and the tax base has risen. To their American neighborhoods, the immigrants bring a refreshing enthusiasm to excel at school and in business, and enviable ethics concerning family and community. The Asians are flourishing, as is their new community. "It's so crowded and loud," exults Roger Raja, a lawyer from Madras, India, who settled in Flushing to be near the Hindu temple. "We have the feeling of home here." ■

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ADAM P. GLICK

Down the Toilet

Over a year ago it seemed that New Yorkers would no longer have to cross their legs or search for the nearest restaurant or hotel lobby when nature called. A French firm, the J.C. Decaux Company, proposed showering (sorry) the city with public toilets that have been used successfully in Europe for the last ten years.

"What's the catch?" savvy New Yorkers queried. Well, unfortunately, there was one. You see, the J.C. Decaux Company had the gall to offer these units to the city *free of charge*. (Advertising revenue from *les affiches* displayed on the units would provide the firm with its profits.) This, of course, threw New York City's obstructionist bureaucrats into a tizzy. They scoured the books to find a law that could kill the deal.

"How 'bout, 'The upkeep will be too expensive for the city?'" No. J.C. Decaux would pay for all upkeep. "Check out how they tie into our plumbing system, maybe we can find some code violations." Nope, the units are entirely self-contained. "Maybe the Municipal Arts Society will declare them unsightly." Non. "Wait, I've got it—are they handicapped-accessible?"

Ah. Someone had struck paydirt.

Alas, the units are not handicapped-accessible. The reason for this is simple. The J.C. Decaux Company had found that units large enough to accommodate a wheelchair became havens for drug addicts and prostitutes. These units were therefore avoided by those citizens whose idea of relieving themselves didn't include the services of another individual.

But J.C. Decaux had a solution. During an experimental period (after which the city would open the process up to bids) the company would provide, in addition to the standard unit, a number of handicapped-accessible units. These units would be locked to the general public, but access cards would be provided free of charge to citizens in wheelchairs. Amazingly, the city capitulated and for a few months New Yorkers enjoyed, without incident, public restrooms.

Now comes the unbelievable part. After the experiment was over, advocates for the handicapped declared that the separate-but-equal units weren't good enough. The handicapped, their logic espoused, must use the same porcelain as everyone else. Anything less is discriminatory.

Sure enough, the city caved in to this logic and decided that it would rig the bidding process to favor manufacturers who built the same unit for handicapped and nonhandicapped citizens. In other words, the city would favor a unit that was accessible to drug dealers and prostitutes over one that wasn't accessible to the handicapped. Shocked, J.C. Decaux declared that it was pulling out and flying back to France.

Why don't we think about making the city accessible to the able? Concerns about safer streets, a better public school system, fewer Byzantine laws and restrictions, and lower taxes time and time again take a back seat to such pressing issues as politically correct toilets, efficient condom distribution networks, and who gets to march in the St. Patrick's Day Parade.

If New York continues to pander to those interest groups who live off the public's tax dollars while ignoring the citizens who provide them, it will only be a matter of time before even more taxpayers leave.

Like it or not, our city is facing an emergency. And its recovery will require the cooperation of all citizens. Let's hope that someone has the courage to point out that only those individuals who can fend for themselves financially can ever be in as position to take care of others. ■

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